PROTECTION IN GERMANY

W. HARBUTT DAWSON.

PROTECTION IN VARIOUS COUNTRIES

EDITED BY WILLIAM HARBUTT DAWSON

GERMANY

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A HISTORY OF GERMAN FISCAL POLICY DURING THE NINETEENTH CENTURY

BY

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PREFATORY NOTE.

That history should be written without tendency is a sound and just maxim. But when a tendency is implicit in history, it is a dishonest affectation of impartiality to omit to bring that tendency to light.

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PROTECTION IN GERMANY.

CHAPTER I.

THE PRUSSIAN TRADITION.

A REVIEW of fiscal policy in Germany must begin with the statement that protective laws in the interest of industry and agriculture have been the tradition of the States which form the present Empire. Freedom of trade has been the exception, and when it has occurred it has been a temporary lapse from continuity and custom. This is not a proposition to be argued, but an affirmation of fact, the recognition of which is necessary to the right understanding of all that follows.

But this fundamental fact, that Protection is the tradition of German policy, implies that from an early period there was a trade to protect, hence that Germany's commercial development is by no means so modern as it is commonly supposed to be. Writing of that country in the middle of the fifteenth century, the Papal Legate Æneas Sylvius said: "If this mass of great towns and territories, with their population and their wealth, were united in one purpose, what an empire and a

people the Germans would be!" "In the fifteenth and sixteenth centuries," says a German writer, "Germany was unquestionably esteemed as very rich in comparison with the other countries of Europe, and it became so principally through mining and trade. The seat of her great commerce was in the North, though in the towns of the South, too, an important and prosperous industry was developed, thanks especially to their ties with Italy, whose industries were so famous at that time." But the industry and trade which had been built up under the fostering care of guild and merchant at home, and by Hanseatic enterprise abroad, fell into decay during the Thirty Years' War of the seventeenth century. When the Peace of Westphalia ended the strife in 1648 the desolation remained. Town and country alike were depopulated; the national resources had been deplenished; the working classes had to learn their arts and trades over again; the entire economic life of the nation was disordered and paralysed. Thus before the war began there were in Berlin and Kölln (old Berlin) 1,236 inhabited dwellings, but in 1653 (three years after the peace) 1,052; in Brandenburg the number fell from 1,144 to 554, in Frankfort-on-the-Oder from 1,029 to 523, in Potsdam from 191 to 101, in Rathenow from 299 to 153, and in Mittenwalde from 245 to *nil*. Once German merchants had controlled the markets of Russia and Norway, but during those terrible years of unrest and demoralisation that position of

primacy had been forfeited; their privileges were withdrawn; their goods were refused admission to the wonted markets. Abroad as at home the fruits of generations of effort were sacrificed.

In Prussia the economic regeneration was stimulated by artificial immigration from Holland and France. It is estimated that in 1786 not less than one-third of all the inhabitants of the monarchy were either immigrants or descendants of immigrants. Many names of towns and villages in the western provinces still commemorate this admission and assimilation of a foreign element which was then invaluable. If ever Prussian autocracy justified itself it was during the reign of Frederick the Great, between 1740 and 1786, years which saw a vast economic revival and expansion in all parts of the young kingdom. His theory of State policy was that of his age, the Mercantilism of Colbert, with its political ideal of a self-contained State. Hence Frederick erected barriers around his frontiers for the purpose of preventing, and not merely of restricting, the import of foreign commodities, yet with unsuspected inconsequence armed his own manufacturers and merchants for the invasion of the foreigner's preserves by the gift of export premiums, well satisfied that the natural wealth of his dearly consolidated kingdom should be exchanged for gold and silver from abroad. It was the age of the balance of trade. His edicts went so far as to roundly forbid the introduction

of every class of goods which could be produced at home, even if less cheaply and of inferior quality, and where total prohibition was relaxed he imposed high duties, so that the State coffers might benefit side by side with native enterprise.

On the other hand, the exportation of raw material was forbidden in the interest of cheap production, for so much of economic insight he possessed, in spite of his Mercantilistic fallacies, as to know it to be sounder policy to send abroad manufactured goods than raw material, since in the former case the foreigner exchanged his own products to a larger extent for labour, and by purchasing that labour maintained the strength and life behind it. So far did he carry this principle of productive independence that he imported silk-worms into the country, so that silk need not be purchased from abroad.

By subsidy, too, new industries were established, and old industries which languished were encouraged. If the foreigner's goods were not desired, the foreigner himself was welcomed, so he brought manufacturing skill and knowledge into the land. The State was ever ready with liberal gifts and temporary loans for the purchase of raw material, for the establishment of technical instruction, and for the introduction of foreign teachers. The sums which Frederick gave in these and other ways for the promotion of industries made an aggregate which was indeed enormous for an age characterised by State

bounty so less spacious than our own. In 1783 he granted 260,000 thalers in one sum for the improvement of the Prussian mines and smelting works. It was also his idea that the town was the town and the country the country, and that never the twain should blend. While industry was natural and good in the former, it was incongruous in the latter: hence all enterprise of the kind was forbidden on the land, and the "garden city" was reserved for a later age.

Agriculture he no less supported in every suitable way. The great landowners he checked with a firm hand; the small peasant proprietors he encouraged to ways of enterprise and thrift; the condition of the serfs he ameliorated in the rough spirit of an age to which the ideas of liberty, equality, and fraternity were still alien.

"The endeavours of Frederick the Great to improve the economic condition of Prussia," writes Adolf Beer, "cannot be sufficiently estimated, even though one may not agree with the fundamental ideas by which he was led. He gave equal attention to trade, industry, and agriculture. By inducing foreigners to settle down in various provinces he sought to give to agriculture the labour required in the draining of marshy districts and the cultivation of waste lands. Numerous decrees prove the care with which the King promoted agricultural interests; better methods came into application, and the instruction given to the peasants at the command of the King had very successful results. Worthy of all admiration is the energy of the King, who repeatedly enjoined his subjects to plant vacant lands with fruit trees, to lay out hop-gardens, and to cultivate the vine, flax, madder, woad, carraway seed,

anise seed, &c. It was, however, a great evil that, owing to the opposition of the nobility, the King was not able to abolish serfage, hereditary servitude, &c., and that he had to be satisfied with the amelioration of the peasants' oppressed condition."[1]

Simultaneously many of the ancient restrictions, like the Guild system, which had acted in restraint of trade, were relaxed; roads and canals were built; the system of inland excise taxes was simplified and alleviated; better means of letter conveyance were introduced. Foreign trade enterprises were similarly encouraged. As early as 1750 the Asiatic Trading Company was formed, by Frederick's help, at Emden for the promotion of the export trade; and to the same patronage was due the Maritime Trading Company (*Seehandlungscompagnie*), founded in Berlin in 1772 for the same purpose. Nearly a hundred years before this, however, the African Trading Company (*Afrikanische Handelsgesellschaft*), an undertaking half mercantile and half colonial, had been formed (in 1682) by a band of merchant adventurers desirous of exploiting the resources of the Guinea Coast.[2] In the interest of foreign trade Frederick also concluded commercial treaties with Russia, with Holland, with Poland, with Turkey, and North America.

If the Prussian monarchy lost ground between 1786 and the Emancipatory Edicts of the

[1] "Allgemeine Geschichte des Welthandels."

[2] In his "Deutsche Colonialgeschichte" Max von Koschitzky, with the characteristic thoroughness of his nation, traces German Colonial endeavours back to the tenth century.

Stein-Hardenberg period, the decline must be attributed in part, of course, to the political troubles of the period, but also, and in a large degree, to the untoward fate which placed the destinies of the country for eleven fateful years in the hands of the weakest member of the Hohenzollern race, Frederick William II., years which saw the abandonment of a great and salutary tradition, and were no longer marked by that ardent and unwearying solicitude of the Crown for the economic welfare of the nation which was so important a feature of Frederick the Great's strong if arbitrary rule.

The Prussian linen, woollen, cotton, silk, leather, and sugar manufactures, the mining and mineral industries, the trades in metals, both precious and base, all go back to the eighteenth century or earlier, and even then they had a considerable export. In 1781 Prussia sold manufactures to the value of 25 million thalers, in 1785 to the value of 30 million thalers, in 1793 to the value of 37 millions, and it is computed that one-half went abroad. Her pig-iron production was 15,145 tons in 1798, and by 1824 it was only 35,813 tons. In the year 1795–96 Prussia had the following exchange of metals:—

	Imports. Thalers.	Exports. Thalers.
Iron in bars	312,828	259,287
Steel	213,411	200,866
Iron plate	158,102	160,042
Iron and brass ware...	29,792	35,815
Rough iron ware ...	360,666	569,632

a total import value of 1,074,799 thalers, against an export value of 1,225,642 thalers, giving the desired "balance of trade" of 150,843 thalers. In 1802 Prussia's metal workers numbered 10,719 persons, for the most part engaged in iron.

At the beginning of last century Prussia was still an agricultural State: 80 per cent. of its inhabitants followed pastoral occupations of one kind or another. Hence not only did the country produce corn enough for its own use, but it was able to export freely. Manufactures were in the main confined to the West, to Silesia, and to Berlin and Magdeburg, while its most flourishing ports were Memel, Danzig, Königsberg and Emden. The practice of exclusive trading was as before carried on to the utmost, and the interchange of merchandise, not only between State and State but even within the boundaries of the same political territory, was impeded by a grotesque system of duties and dues. The combined effect of these hindrances to intercourse was ruinous. "The principles of the Mercantilistic system," says a German writer, in reference to this period, "had paralysed trade. The embargo system extended even to the internal parts of the monarchy. A province, even a district, regarded its neighbour as foreign, and every locality had its own duties and its special tariffs. Foreign imports were prohibited, but as it was impossible to do without the better and much cheaper English and French cotton and silk goods,

a large smuggling trade was carried on everywhere, which defied the severest legal measures. Such was the condition of Prussia before 1806."[1] And of the social effects of this short-sighted and exhausting fiscal policy in Prussia especially, King Frederick William III. himself said:—

"When I reflect that, as experience has always proved, the principal revenues of the State, and those most suited to its needs, can only be raised on the primary needs of life and the commonest articles of trade, and that the number of those articles is very limited, I am shocked at the voluminous excise and customs tariffs."

It was the laws and regulations prompted by the wise statesmanship of Stein and Hardenberg that gave to Prussia the relief which its economic life needed by removing the fetters upon industry, handicraft, and trade, and making possible for the first time the full exercise of its productive powers. It would lead us too far to review in detail the policy inaugurated by these sagacious men, who were as great in practical knowledge as in ideas, as great in administrative genius as in patriotism, and this is the less necessary since the late Professor Seeley's exhaustive work on Stein is accessible to those who desire to follow up the subject more minutely. Of the two men Hardenberg may be regarded as by preference the thinker, the theorist, Stein as the doer, the practitioner; but both were alike in proceeding from the supposition that

[1] "Die neuere Nationalökonomie," Moritz Meyer, 1881.

greater liberty in every direction was Prussia's need and the key to her regeneration. Hardenberg boldly called for the application of "democratic principles in a monarchical Government," for "a revolution in a good sense." In his Memorial (*Denkschrift*) of September 12, 1807, on "the reorganisation of the State," he avowed the desire to give to the State and the nation the greatest possible amount of freedom—in thought, in speech, in action, in trade, in industry, in government. He did not propose to abandon protective laws altogether; but, while contending for free imports as far as practicable, he was willing to retain such moderate duties as would not impede trade where the conditions of industry seemed to require them. Nor did he abandon the idea that the future of Prussia was bound up with the continued prosperity of agriculture. "I am quite convinced," he wrote, "that we have sacrificed the benefits of trade, which for the greater part, and in Prussia particularly, is derived from agriculture, to the factory system, to the clear disadvantage of the State."

If Hardenberg was in favour of fundamental reforms, so also was Stein, though his was a greater caution. Of the two he was unquestionably the more solid economist. He had studied at Göttingen, *par excellence* the school of the cameral sciences in those days, and while a follower of Adam Smith, he sought to apply Liberalistic ideas, not on any slavish model, but according to the special needs of Prussia. One of his first official

acts was the foundation of the Prussian Statistical Bureau in 1805, the year after he became Minister of Agriculture and Commerce. Greater liberty was Stein's watchword. The "Instruction to the Royal Governments of the Prussian Provinces" of December 26, 1808, after emphasising the principle that industry must be free and no man must be restricted in the choice of a calling, proceeded :—

"Together with this liberty, facility of communication and freedom of trade both at home and abroad are also necessary if our industry, trade, and welfare are to thrive. Thus those industries will naturally come into being which can be carried on to the best advantage, and which are the most suited to the economic condition of the country and the civilisation of the nation. It is a mistake to believe that it is advantageous to a State to produce itself articles which can be bought more cheaply abroad. The increased costs of production caused by manufacturing them are an absolute loss, and had they been employed in another industry would have given abundant gain. It is a distorted view that one should in such a case seek to keep the money in the country, and rather not buy at all. . . . It is not necessary to favour trade ; it must simply not be obstructed. Freedom of trade and of industry creates the greatest possible competition between the producing and consuming public, and protects the consumers most effectively against scarcity and excessive prices."

That was the theory of Stein's economic position. In practice he departed from it, like a wise statesman, just as interest and policy dictated. Thus while he introduced a low tariff of import

duties, he continued to prohibit the export of raw wool in the interest of Silesia. While he advocated the free import of corn on principle, he held that the condition of agriculture must determine whether it were safe to apply the good principle in reality, and this reservation stayed his hand.

Having first strengthened the foundations of civil and political life by legislation reforming the land laws and provincial and local administration, he promptly turned to economic and fiscal questions. The law of October 28, 1810, for the unification of the customs system provided that henceforth excise should be levied on but twenty commodities; the tax was made uniform in all the provinces; and *octrois* were abolished.

Thus from the second decade of the nineteenth century the direct State encouragement of industry and trade ceased for a long time. Rightly or wrongly, it was deemed to be incompatible with the new theories of economic freedom and independence. So long as the State had exercised the right to control the movements of its citizens by restrictions upon the choice of trade and occupation, upon migration and residence, it recognised the counter obligation to act in something like a parental relationship towards every class of the community. When, however, the restrictions were thrown off, the State's direct patronage was forfeited as well. There was less prohibition of exports and imports, but there were also no more bounties and subventions. There was gain and

there was loss; and in the end the gain probably proved the greater, though while the transition lasted the pressure of the discipline was often more obvious than its beneficial effects. At that time Prussia had two tariffs—one for the agricultural East of the monarchy, devised to meet its special economic conditions and sufficiently protective, and the other for the more industrial West, marked by lower duties. These duties were twofold. There was an import duty proper, levied on the gross weight of the goods brought over the frontier, and there was an excise levied on the net weight of goods which were destined to remain in the country.

It is interesting to notice how freedom broadened down from precedent to precedent. The reforming work of Stein was continued in his spirit by Count von Bülow, as Finance Minister, who did away the last of the old prohibitions. The first project of law was one of January 7, 1817, intended to readjust both customs and excise, and it was one of the first duties of the Council of State (*Staatsrath*) called into being by Frederick William III. in March, 1817, to deliberate upon this measure, which was referred to a committee of twenty-four members, whose president was Wilhelm von Humboldt. Bülow's idea was on the one hand to simplify internal taxation by abolishing a majority of the excise duties, which at that time fell upon an enormous number of articles, and to confine them to a few remunerative

imports, and on the other hand to facilitate foreign trade by the introduction of a rational tariff. While, however, very low duties were to be imposed upon goods which were either not produced in Prussia or were not likely to create serious competition, upon articles of luxury a high tax was levied for revenue purposes: upon tea, coffee, sugar, as much as 30 per cent. The excise proposals were rejected, though the customs tariff was approved, and it is notable that one reason for the former step was the objection that the suggested tax on meat and flour would press heavily on the food of the poor. The whole scheme had to be withdrawn for revision.

A better fate awaited its successor, which became the law of May 26, 1818, "on the customs and excise duties on foreign goods and on trade between the provinces of the State," a law which introduced a great measure of freedom of trade and made of Prussia a fiscal unity. It provided that foreign products might be imported into the country and home products be exported, the former to be subjected to a moderate duty, which in general amounted to half a thaler per cent., and some also to an excise tax not exceeding 10 per cent. *ad valorem*, though less where home industry was not injured. "The duties," the Edict ran, "shall protect home industry by a suitable taxation of foreign trade and the consumption of foreign goods, and shall secure to the State such a

revenue as may be possible without impediment to trade."

It was against the Free Trade tendency that was thus gaining ground that Friedrich List's "German Commercial and Industrial Association" (*Deutscher Handels- und Gewerbeverein*) was established in 1819, with its policy of unrestricted commercial intercourse within the State, but a customs system on the frontiers. Theoretically, List was himself a Free Trader, though he regarded the doctrine of Adam Smith as a counsel of perfection, and pending mankind's greater maturity, he was concerned that Germany should confine attention to her own interests, and leave other countries to work out their economic salvation in their own way. List suspected that by her new law Prussia was making history too fast.

There can be little doubt that it was this freer industrial movement and this freer mercantile intercourse which regenerated the economic life of the country, depressed and disordered as it was by the exhausting wars of the end of the eighteenth and the beginning of the nineteenth century. Those were times of invincible hopes and pathetic assurances. A Cabinet Order issued by Frederick William III. from Carlsbad, August 1, 1817, declared that the principle of the free import of foreign manufactures, in return for a comparatively small duty, should be the basis of the legislation of the Prussian State "for all future time." Such legislation for perpetuity was beyond the power even

of an absolute Sovereign. The time of reaction came, of course, when the work of Stein, Hardenberg, and Bülow was in part impugned and undone, but it is not less idle than ungrateful to pretend that men like these and the many advisers who helped in the realisation of their ideas—Niebuhr, von Altenstein, Dolma, Schön, Wilhelm von Humboldt, Scharnhorst, Gneisenau—were the fools which by implication they are often made out to be by sages after the event.

The policy whose culmination and crown was the law of 1818 was that William Huskisson lauded in our own House of Commons in 1825, ending with the expression of a pious hope that "the time would come when England would follow Prussia's example."

CHAPTER II.

THE ZOLLVEREIN.

ANOTHER and still more important period in the history of German fiscal policy is marked by the Zollverein in which most of the States of the Empire were one by one drawn together for commercial and customs purposes on the basis of the Prussian law of 1818. The fiscal arrangements of the old Empire were the embodiment of chaos. Not only did every State fight its neighbours with duties of every kind, but within its own borders an ill-conceived system of excises and dues made the interchange of commodities as difficult as possible. There were imposts by land and imposts by water; there were *octrois* at every town gate, with dues on sales and dues on purchases; and the mischief which this *mélange* of fiscal absurdities left undone was completed by the monopolies exercised by Governments and the privileges conferred upon corporations and private persons.

In 1817 the first serious attempt to introduce freedom of trade within the whole Empire was made in a proposal brought forward in the Federal Diet (*Bundestag*) by the representative of Würtemberg. While, however, the cause of fiscal unity owed much to the enlightened Sovereign of that kingdom,

William I., the inspiration which carried the movement forward came unquestionably from Prussia. Between 1819 and 1823 the States of Schwarzburg and Anhalt adopted the Prussian tariff by treaty, and amalgamated with her for customs and excise purposes. In 1828 the Grand Duchy of Hesse joined the combination, in 1831 Hesse-Cassel followed, and in 1833 Bavaria and Würtemberg (the last two already joined with Hohenzollern in a customs and commercial union of their own since 1828), whose adhesion made certain its eventual extension to the rest of the Empire. But the *Zollverein*, whose motto was "Freedom of Trade through Unity" (*Handelsfreiheit durch Eintracht*), was hailed by the Imperialists of that day as more than a victory for the arts of peace and for rational methods of taxation; it was regarded, as indeed it proved, as an important step on the way to political federation. "A new era in national life begins," writes the Prussian bureaucrat Stengel in a quaint tractate of 1835 now before me:[1]

"The larger part of Germany, closely united by the great German Customs and Commercial Union, sees its industry freed from the fetters which heretofore impeded internal trade—the most important for all peoples—and by means of an extensive territorial organisation is protected, by a moderate customs

[1] "Von dem ausländischen Handel und der Seemacht deutscher Städte im Mittelalter und von den finanziellen Verhältnissen des jetzigen deutschen Zollvereins." (Potsdam, 1835.)

system which, with wise caution, does not exclude all foreign competition, from the trade of those nations that, thanks to a selfish commercial policy, refuse admission to German manufactures altogether, and only admit German produce to the very smallest extent. The German peoples . . . are now by community of material interests, that important basis of a common national life, united more closely than ever before, and in such a manner that as a result the strengthening of the wider German Confederation may likewise be anticipated in time of danger. . . ."

The Customs Union, which now comprised eighteen States, with an area of 7,719 square miles, and a population of 23,000,000, was first concluded for eight years. Before those years had expired there had been added to it Hesse-Homburg, Baden, and Nassau in 1835, Frankfurt in 1836, Waldeck in 1838, and Brunswick, Lippe, and Luxemburg in 1842; while Hanover and Oldenburg followed in 1851 and 1852 respectively, and between 1854 and 1865 the whole of the States of the Empire save Austria, the Mecklenburgs, and the Hanse Cities belonged to the federation, customs duties being levied on the common account, and being divided amongst the contracting States according to population. Of the Zollverein it need only be said further that its renewal in 1865 was the last that was needed, for its work was well nigh done. In 1867, by treaty between the North German Confederation and the South German States (Bavaria, Würtemberg, Baden and Hesse), a new Customs Union was concluded, with a Parliament armed with legislative

power in customs matters, for a period of twelve years. Two years later the customs laws and ordinances of the Union were modified, and they passed into the legislation of the new Empire, and became substantially the basis of the fiscal system which lasted until 1879.

In the interval the tariff basis had been modified from time to time. Under the tariff of 1818 the duties on grain had been, per bushel: Wheat, 1½ silver groschen or nearly 2*d.*; rye and barley, ½ silver groschen; oats and buckwheat, ¼ silver groschen. In 1824 the duties were fixed at 5 silver groschen (6*d.*) on wheat for the Eastern provinces of Prussia, adjacent to corn-exporting Russia, and 2 silver groschen (2½*d.*) in the West; and on other kinds of grain 1 silver groschen. In 1827 a uniform rate of 5 silver groschen was adopted for all Prussia. This rate lasted twenty-five years as the basis of the *Z*ollverein, and under it agriculture developed greatly. There were other modifications. Thus in 1838 the Prussian provision stipulating for a minimum excise of ten per cent. was omitted, and in general a stronger protective tendency set in. In 1843 the duty on cigars and snuff was increased. In 1844 a duty on pig-iron was imposed for the first time, and some of the duties on iron manufactured goods were increased. In 1846 Protection was made severer, the duty on raw linen yarn, for example, being increased twelve-fold. In 1851 the cigar duty was again raised, and that on rice

was reduced. Meantime England had gone over to Free Trade by the law of 1846, and the example of the first commercial country of the world was not lost upon German statesmen. In 1853 the duties on coffee, tea and wine were reduced. That year also a more deliberate step was taken towards Free Trade, when, by the commercial treaty of February 19th, Prussia and Austria agreed to levy no corn duties against each other. In 1856 the *Verein* tariff was further revised, the rates being reduced to 2 silver groschen for wheat, and ½ silver groschen for other kinds of corn. Thus Schäffle writes :—

"Until the beginning of the 'sixties, under a largely bureaucratic treaty system of administration, the Zollverein maintained a commercial policy which, while moderately protective and fairly stable, yet slowly and cautiously aimed at freedom of trade."

It was, however, the conclusion by Prussia in 1862 of the treaty of commerce with France, which came into operation throughout the entire area of the Zollverein in 1865, that gave the greatest practical stimulus to the new movement. That treaty was not Prince Bismarck's idea, for he found it ready drawn up when he became Minister President in the autumn of 1862. It fell to Bismarck, however, to carry it through Parliament, and while it is true that the treaty belonged to the period of his official life when, as he frequently said in after years, his economic conscience was in the keeping of others, it is fair to add that the reasons

which influenced him were purely political. When the episode was mentioned during a discussion in the Reichstag, on February 21st, 1879, in proof of changed convictions, the Chancellor retorted that convictions had nothing to do with the matter, and frankly avowed that the treaty was meant to be a weapon for use against Austria, and did indeed keep France friendly on the Danish question.

"In the further struggle with Austria which threatened in 1865, and which took place in 1866, the restraint of France would certainly not have continued as far as the point which happily for us it was if I had not cultivated relationships with her in every way open to me."

Whatever the immediate purpose of the French treaty, it unquestionably committed Germany to further progress on Free Trade lines, while its effects upon her foreign trade were very marked. "Bismarck," writes Schäffle, "was at that time at once the political guardian and the political favourite of the Free Trade party."

The same year the tariff was again revised by a law of May 1st, and a rescript of June 17th, which came into operation on July 1st, and now in a decidedly liberal spirit. The duties on corn and flour, cattle and sheep, yarn of flax and hemp, and hand-spun stuffs were repealed altogether, while others were greatly reduced, among them the duties on butter and cheese, cotton yarn, cotton wadding, cotton and woollen goods, dress goods, linen, iron, steel, copper, zinc, tin and lead goods, glass and glass goods, leather and leather goods,

silk and silk goods, paper, soap, coal, porcelain, earthenware, beer, wine, vinegar, cider, etc.

Encouraged by the action of the Government the Free Trade party in commercial and scientific circles redoubled their efforts. At this time the manufacturers of West and South Germany were overwhelmingly Protectionist, while in the textile districts of Saxony the tendency was rather towards Free Trade. Even the agricultural societies of Saxony in 1848 petitioned the Frankfurt Parliament against customs duties of every kind. Amongst publicists and in academic circles there had since 1848 been a vigorous Liberal school, whose leaders included John Prince Smith, who, though an Englishman by birth, settled in Germany, first as a teacher of languages, and won great influence there from the 'fifties onward, being elected both to the Prussian Diet and the Imperial Reichstag; W. A. Lette, a high Prussian State official; Max Wirth, honourably associated with the Trade Union movement; Otto Michaelis, an able economic writer and publicist, who ended his career in the Ministry of Finance; Schulze-Delitzsch, the founder of co-operation in Germany; Julius Faucher, for some years a leader of the Progressive party in the Prussian Diet; and others. At the instigation of Prince Smith and Faucher, a Free Trade party was organised in Berlin, and its influence gradually extended from North Germany to other parts of the country. Prince Smith especially was

unwearied in the agitation which he carried on both by speech and writing on behalf of the economic theories which had just won so signal a triumph in England. He travelled a large part of the country as an apostle of the Free Trade gospel, imparting everywhere some at least of his own enthusiasm and conviction, organising societies, encouraging the establishment of literary sheets in the service of the new faith, and successfully identifying economic with political and Parliamentary Liberalism. Not only so, but, like all enthusiasts, he contended for the immediate introduction of unequivocal Free Trade, without half measures or compromise of any kind. To those who, only partially convinced of the unwisdom of a protective policy, pleaded for slow and cautious progress in the new direction, he replied that any dallying with Protection was a mere protraction of economic injury. It was, he quaintly said, like docking a dog's tail an inch a day, just to spare its feelings. To anticipate for a moment, so far did his temporary influence go, that at the beginning of the 'sixties he was able to convince some of the agricultural societies of West and East Prussia—later a hot-bed of extreme Protectionism and agrarianism—that their truest interest was a policy of free imports. It was not long before the heresy was recanted.

Free Trade principles also found expression in the Economic Congress formed in 1858 by Lette, Wirth, Victor Böhmert, and Pickford, which first met at Gotha, and in the German Commercial Diet

(*Handelstag*), an organisation of Chambers of Commerce and Industry. Two years after the conclusion of the French treaty a determined effort was made to give the *coup de grace* to whatever Protectionist traditions still lingered in the Government. On August 27th, 1867, an influential congress of political economists and representatives of industry was held at Hamburg, and called for the immediate revision of the customs tariff in a Free Trade spirit. It was recommended that the tariff should henceforth be restricted to a few articles chosen for their suitability as sources of revenue, that thus "by the abolition of the protective system larger resources might be secured to the community and the State, and more elbow-room be given for the economic activity of the individual." Industry especially should be relieved of all the duties which impeded it, while the revenue of the State should be increased by promoting the consumption of excisable commodities.

Little now remained to complete the transition to Free Trade, and that little was done during the succeeding eight years. In 1868 the duties on wine were reduced, in 1869 those on sugar likewise. Then came in 1873 the reduction of the iron duties, and finally in 1875 their entire disappearance was enacted from the first day of 1877. This clear abandonment of a Protectionist policy was the work of three Prussian Ministers, Martin Friedrich Rudolf Delbrück, Otto Camphausen, and August von der Heydt.

CHAPTER III.

THE REACTION.

It is not strictly accurate to speak of the German Customs Tariff of 1879 as a Protectionist departure.[1] Recalling the proposition with which we began, Protection was the German tradition; Free Trade, whenever it gained expression, whether as the spirit of a general policy or in temporary application to some individual branch of industry, was a plain infraction of that tradition. Moreover, it is necessary to bear in mind that what was done between the years 1865 and 1875 was not the result of a national mandate or of a national change of mind. There were Free Trade schools, parties, and tendencies at all times, as there were in England before the epoch of repeal, but Free Trade never became in Germany a popular cry and a party policy in the English sense, nor did its success depend at any time in any degree whatever upon the attitude of the great body of the people.

We transport our English ideas of popular government and the rule of the majority into German affairs, and, led by an entirely imaginary

[1] Portions of Chapters III. and V. are reproduced from the *Economic Journal* by permission of the Editor, Professor F. Y. Edgeworth.

and fallacious analogy, we make great mistakes. Germany—if we mean by that term the nation and not merely the Government—did not adopt Protection in 1879 any more than it adopted the bureaucracy or the police law. Apart from the will of the Sovereign and the Federal Council, Germany can neither do anything nor undo anything: its power is preventive and not initiative; it may endorse or ~~negative~~ negate the policy given from above, but it cannot create, still less enforce, a policy of its own.

If, nevertheless, we are to speak of a Protectionist revival, we must add that the revival began immediately Free Trade seemed to have gained a victory. It was in 1875 that the last of the protective duties were abolished, and that year saw Germany already plunged into an agitation having for its end the reintroduction of Protection in a more systematic and more drastic form.

It has often been suggested by German economists of the Free Trade school that the departure from the old Protectionist lines was made too quickly and at last too completely. The late Professor Albert Schäffle always contended that both sides went to extremes, and that if a moderate course had been taken not only in 1879 but earlier the result might have been a wider Customs Union, embracing Austria, on the basis of moderate Protection, instead of the succession of tariff wars which fell to later years. It is certain than when Prince Bismarck determined

to lead Germany back into the old way it soon became evident that a policy of Protection, to be genuine, must be thorough.

If one were concerned to advance analogies between the national and economic circumstances which were the occasion, if not the cause, of Germany's return to Protection in 1879, after the very briefest trial of Free Trade, and the fiscal controversy which will long make the year 1903 memorable in England, the task would be easy and not altogether uninstructive. Two parallel events may be singled out. Germany, like England thirty years later, had emerged from a war which, though successfully waged, had proved a severe drain upon her economic life, had disorganised many of her trades and industries, and had left her with much lost ground to make up. Then, again, that war had not long been concluded before there followed a period of commercial depression, which was felt all the more severely since the country's great need was rest and recuperation. That depression reached its climax in 1876 and 1877, when industry stood still and labour walked the streets idle and discontented, but the crisis had been ripening for several years, ever since, in fact, the unprecedented stimulus given by the war to industry, finance, and enterprise generally had become exhausted. Up to 1870 industry had developed gradually but steadily and on healthy lines. Thus the production of pig-iron within the area of the

Zollverein was in 1864 905,000 tons. By 1869 it had grown to 1,413,000 tons, and, though it fell during the year of the French War to 1,391,000 tons, it had by the year 1873 reached 2,241,000 tons. Labour, too, had concurrently improved its status. It has been said that in the Paris insurrection of 1848 no single workman with a savings bank book was seen on the barricades. On that principle the accumulated investments of the Berlin working classes in 1871 might have indicated a tolerably contented as well as a tolerably prosperous condition, for nearly three million thalers (equal to £450,000) stood to their credit in the State savings banks, and four and a half million thalers (or £675,000) a year later. The deposits for the whole of Prussia in 1871 amounted to 172 million thalers (£25,800,000), having increased as follows :—1835, 5·4 million thalers; 1845, 12·5 million thalers; 1855, 32·2 million thalers; 1868, 143·5 million thalers; 1871, 172 million thalers; and 1872, 217 million thalers. In the last-named year alone new deposits were made to the extent of 83,600,000 thalers, and the number of depositors increased from 1,358,392 to 1,644,480, or 25 per cent.

After the war industry took a great bound forward, similar to that which followed when the pressure of the War of Liberation, with its terrible drain upon the physical strength and the financial resources of the nation, was relieved early in the century. To the natural influences which favoured

an awakening of economic life came the influence of the French milliards, which, thanks to the wonderful elasticity of the conquered nation, were paid over long before they had been expected, and which had to be expended far too precipitately for Germany's good. Prince Bismarck once spoke of the indemnity as an acute embarrassment for the time being, and a thoughtful German writer has said: "It broke over us like a water-spout, carrying great devastation everywhere, whereas if it had fallen gradually, in the course of time, and in small quantities, it might have been beneficial in an extraordinary degree." The dispersal of the milliards upon railways, fortifications, and public works and buildings of various kinds gave for a time great impetus to industry, and the iron and steel trades especially expanded enormously, but the eventual reaction caused wholesale disaster.

For a long time money was plentiful, and abundant facilities for spending it were not lacking. Speculation reached wild limits; company promoting became the recognised royal road to wealth; and the notorious *Gründungsära* had the same sinister ending as the South Sea Bubble of our own annals. It was not long before credit became disorganised, money became hard, the Bankruptcy Court was crowded by unwilling suitors, and wreck and ruin were created wholesale. Many fortunes were made in that mad scramble for wealth, but far more were lost; good reputations were compromised and forfeited by

the score, but none were created. During the three years 1871 to 1873, 843 new public companies were formed in Prussia, or more than four times the number which existed at the formation of the Empire. Of these companies a large number were rotten from the beginning, and soon found their way into liquidation, while in many other cases disaster was only staved off by the reduction of capital, often to the extent of 50 per cent. It was found later that of 196 companies which reduced their capital between 1874 and 1879 no fewer than 148 originated in the "flotation era."

And if capital suffered, so also did labour. For a time the working classes had shared in the general enrichment. Employment was abundant, wages increased, and with larger earnings at their disposal the labourers suddenly developed a consuming capacity unknown before, insomuch that large food imports from abroad were needed to supplement the production at home. As wages had gone up with a bound, however, so they came down with a crash, and the absolute and permanent gain to labour from a period of artificially inflated prosperity was very small. It is fair to remember that the following words of the Conservative historian Professor Heinrich von Treitschke, written in 1874, relate to the Free Trade era, and describe the condition of the labouring class before the economic *débâcle* of 1875 to 1877 :—

"The transformation of our national economy has given to the working class a great increase of wages,

without parallel in German history. Therewith they secured, as aforetime the English working classes, the possibility of permanently improving their standard of life, and of approximating more nearly to the habits of the middle classes."

That these years were nevertheless years of rapid trade expansion is proved by the comparative returns of imports and exports. During the years 1860-1864 Germany imported on an average 132,000 tons of pig-iron and exported 9,568 tons; during the years 1865-1878 she imported on an average 379,214 tons (265,214 tons more) and exported 170,838 tons (161,270 tons more). The average yearly imports of half-manufactured iron increased for the period 1865-1878 142·6 per cent. beyond those of 1860-1864, the exports 720·2 per cent. The imports of iron and steel goods increased for the period 1865-1872 54·1 per cent. beyond those of 1860-1864, and the exports 52·6 per cent.; the imports increased 137·7 per cent. in the period 1873-1877 as compared with 1865-1872, and the exports 65·2 per cent.; and the imports increased 2·6 per cent. in 1877-1878 as compared with 1873-1877, while the exports increased 84·9 per cent. In the imports of machinery and machine parts there was an increase of 198·7 per cent., and in the exports one of 112·9 per cent. during the period 1873-1876 as compared with 1865-1872, and during the period 1877-1878 a decrease of 5·1 per cent. in imports and an increase of 65·9 per cent. in exports, as

compared with 1873-1876. The annual imports of cotton yarns increased 11·8 per cent. for the period 1865-1878 as compared with 1860-1865, and the exports increased 90·6 per cent. The imports of cotton goods increased 123·1 per cent. during 1870-1878 as compared with 1865-1869, and the exports 33·05 per cent. The imports of woollen goods decreased 247·8 per cent., and the exports increased 27·1 per cent.; the imports of linen goods decreased 140·07 per cent., and the exports increased 36·4 per cent.; the imports of silk and half-silk goods increased 29·4 per cent., and the exports increased 52·6 per cent. On the whole, there was a steady "passive" balance of trade during all the 'seventies, as the following table shows:—

	Imports. Marks.	Exports. Marks.	Excess of Imports. Marks.
1872	3,468,480,000	2,494,620,000	973,860,000
1873	4,257,333,000	2,488,998,000	1,768,335,000
1874	3,673,059,000	2,459,880,000	1,213,179,000
1875	3,576,870,000	2,561,800,000	1,015,070,000
1876	3,913,300,000	2,605,600,000	1,307,700,000
1877	3,877,080,000	2,828,560,000	1,048,520,000
1878	3,722,670,000	2,916,540,000	806,130,000
1879	3,773,400,000	2,802,000,000	972,000,000

Agriculture was not slow to respond to the reaction. Prices fell, and with them land values, and where leases lapsed rents dropped as well. Up to 1874 both values and rent had steadily risen, but then came the climax, and after it the decline. Apart altogether from the depression in

domestic industry and trade, the corn growers had to contend with severe competition from abroad, favoured by improved ocean transport, by extended railway facilities, and still more by the development which agriculture was undergoing in Austria, Russia, and the United States. Hence Germany became less an exporting and more an importing country. During the period 1868 to 1872 the average imports of wheat were 415,650 tons and the exports 562,450 tons, an excess of exports of 146,800 tons; but from 1873 to 1877 the average imports were 586,700 tons and the exports 497,750 tons, an excess of imports of 88,950 tons. Similarly the yearly imports of rye during the years 1868-1872 averaged 465,800 tons and the exports 164,500 tons, an excess of imports of 301,300 tons, while in the later period the imports averaged 955,050 tons and the exports 156,350, an excess of imports of 798,700 tons. The imports from Russia, by land or water, in 1875 were 343,466 tons of rye, 26,500 tons of barley, and 118,433 tons of oats, a total of 488,399 tons; in 1876 they were 566,057 tons of rye, 29,715 tons of barley, and 159,802 tons of oats, a total of 755,574 tons; and in 1877 they were 663,310 tons of rye, 96,038 tons of barley, and 181,022 tons of oats, a total of 940,070 tons. This larger import of grain was not only due to the increased consumption but to the less area of land under the plough. While in the beginning of the 'sixties 56 per cent. of the area of Prussia was under corn, the proportion fell by

1878 to 50·72 per cent. The area under rye was greater, but that under wheat, barley, and oats had declined. In later years a counter movement set in.

So, too, in the still more agricultural State of Bavaria the area under rye decreased between 1866 and 1878 from 588,479 to 579,416 hectares, the area under barley from 338,863 to 320,534 hectares, and that under oats from 451,752 to 439,551 hectares. The area under wheat increased from 290,255 to 298,779 hectares, but the total result was a decrease from 1,856,577 to 1,765,746 hectares, a leakage of 90,831 hectares, or over 226,000 acres, in fifteen years.

Finally, it is to be noted that simultaneously the products of German manufacture had fallen into a certain disrepute all over the world. In the Philadelphia Exhibition of 1876, German exhibits took great prominence, and deep was the mortification when Professor Reuleux, who had been commissioned by the *National Zeitung* to report upon them, summarised his impressions in the memorable phrase, "cheap and bad" (*billig und schlecht*). There was nothing new, however, in the accusation, save its mordant utterance and the untoward circumstances which evoked it. The Consular reports of the period all witness to the same thing, and some months before warning came from Philadelphia, the *Imperial Gazette* (March 10th, 1876) had seriously reviewed the complaints which had long been accumulating

from foreign, and especially trans-oceanic, countries of inferior goods, declining sales, and lost markets. A little later the *Preussisches Handelsarchiv* proclaimed the same disconcerting fact in periods which spared neither the pride nor the feelings of those concerned. German trade, it said, had forfeited its reputation, not only for efficiency, but for honesty. The textile stuffs sent abroad were made contrary to the samples ordered; they were exported deficient in measure and weight; qualities were mixed; and in general they were coarse, clumsy, and tasteless. And, coming to comparisons, it asserted: "The German no longer possesses the capacity of the English manufacturer, who is able to make even cheap goods so efficiently, and to turn them out so attractively, that large repeat orders are regularly given, whereas the German executes commissions of the same kind so faultily that he is seldom able to secure a second order." Moreover, "the Englishman is always ready to consider a merchant's legitimate complaints, while the German will never make compensation for loss suffered." In reply to these and similar complaints, the manufacturer pointed to the unprotected frontiers. "How can we compete abroad," he asked, "with an older, richer, and better equipped rival like England, so long as even our home market is not preserved to us, and we are compelled to sell to the foreigner, by hook or by crook, in order to dispose of our

production at all?"[1] Faults which were entirely due to remediable inefficiency were thus attributed to the prevalent fiscal system, and were made a further count in the growing indictment against it. Reading the literature of the time, one notices how great was the influence of the "protection of young industries" argument in converting even theoretical Free Traders to the advocacy of temporary measures of Protection, in view of the peculiar condition of economic life. They regarded such measures as useful educationally, and their purpose once achieved, they assumed that they would promptly be discarded as superfluous and even dangerous. That there was then and later ample room for improvement was shown by a capable German critic of the Berlin Industrial Exhibition of 1879:—

"While we are able to detect with joyous satisfaction the progress and the high degree of efficiency which some of our products have attained, on the other hand other departments of the exhibition remind us clearly of the great work which yet lies before us before we can come abreast of our neighbours."

But such being the economic condition of Germany in the early seventies, and remembering that these years had marked the first clear

[1] An argument which Prince Bismarck frequently employed, as, for example, in a speech made in the Reichstag on June 14th, 1882:—"England had the highest protective duties until she had been so strengthened under the protection that she came forward as a herculean fighter and challenged everybody with, 'Enter the lists with me.' She is the strongest pugilist in the arena of competition, and is ever ready to assert the right of the strongest in trade."

departure from Protection, what was more likely than that, reasoning *a priori*, so far as reasoning can be said to enter into the judgment of persons who believe themselves to be suffering from injustice, the industries and interests which had fallen on evil days should have united in casting the blame on the new-fangled policy of Free Trade? And Free Trade being responsible for their misfortune, where else could a remedy be found save in a return to the discarded Protective system?

Add to this that the "National" cry was then in the air, as with us the cry of "Imperialism" to-day. Germany had just become a nation, so let her institutions be made truly national as well; let her become independent, economically as well as politically, a self-controlled, self-supporting Empire! To that were evidently necessary an all-sufficient industry and an all-sufficient granary, and these, argued the Nationalists, could only be supplied if industry and agriculture were effectively protected against foreign competition. Nor can it be denied that if Protection could be judged capable of rescuing the economy of the country from its apparent condition of decadence, there were reasons specious enough to justify its advocates in demanding that the attempt should be made.

In passing, it is interesting to remember that it was the condition of the iron and textile trades which determined the return to Protection from the industrial standpoint, and these were the industries which were in a special measure

influenced by the political events of 1870 and 1871. The iron and steel and allied industries, as we have seen, shared liberally in the distribution of the French milliards, but directly the abnormal expenditure on State and public works ceased stagnation began, and many industrialists found themselves in possession of works and plants which had been built or extended on an excessive scale in order to meet what had proved to be a temporary and transient spell of prosperity. In 1873 over-production had reached such a limit in the iron trade that it is estimated by Lotz that the smelting and rolling works of Germany were then producing iron enough to cover the demand of the entire world. Prices sank enormously. Having reached their highest point in 1873, they sank more than 50 per cent. the following year, and by 1878 they were barely 30 per cent. what they had been five years before.

The protection against foreign competition which the iron trade had enjoyed ceased, as we have seen, with the year 1876, and it is noticeable that the Emperor, and probably his Chancellor as well, doubted from the first the wisdom of Dr. Delbrück's action, though they appear to have raised no protest. Writing to Prince Bismarck from Gastein on July 22nd, 1876, the Emperor William said:—

"As there was so little time at Würzburg, I was not able again to bring up a subject in connexion with our internal affairs which, in spite of reports by Delbrück and Camphausen before you came to

Berlin in the autumn, has continually occupied my attention, and especially during my recent Rhine journey—I mean the stagnation in our iron trade. It was shown to me in those reports that our export of iron still exceeds the imports. I inquired how it happened that one ironworks after another is closing its doors and dismissing its workmen (who can find no employment elsewhere), and that those which continue working do so at a loss, and must also soon blow out their fires. I was told in reply, 'Yes, that is the state of affairs; but in such general calamitous times individuals must be ruined, and we are more fortunate than other countries' (Belgium). Is that a politically wise conception of the case? Matters have, unfortunately, been in this state for several years. And from January 1st, 1877, iron is to be imported into Germany free of all duty, whereas France is introducing a premium on her export of iron to Germany. The consequence of such conditions as these can only be that what still remains of our iron trade must be ruined. I by no means desire that the much-praised system of Free Trade shall be given up, but I must request that before the Reichstag reassembles the question be again ventilated 'whether the Bills allowing foreign iron to be admitted into Germany duty-free must not be temporarily postponed for a year?' If you agree with me, I await your report as to what arrangements you will make."

On the other hand the textile trade had been hard hit by the incorporation in the Empire of the large and progressive weaving and spinning industries of Alsace. Hitherto these industries had sold to France almost exclusively; but now their production was largely thrown upon the German market, so that the less efficient and less wealthy manufacturers of Saxony found themselves face to face with a new and severe competition.

CHAPTER IV.

PRINCE BISMARCK'S THEORIES OF TAXATION.

It would be absurd to attempt to bind a statesman to every opinion he may happen to have held from the first days of his public life. Changed conditions require changed policies, and the political steersman who refuses to accommodate his craft to wind and tide may indeed reach a haven, but it will seldom be the haven which he desired. None the less instructive is it, however, to know that Prince Bismarck's earliest Parliamentary utterances show him to have been a thoroughgoing Free Trader in practice, however theory may have fared. Speaking in the Prussian Lower House on October 19th, 1849, thirty years before he diverted the policy of the Empire into Protectionist lines, he said:

"The Deputy for Crefeld regards the protective duty as a protection of the manufactories against foreign countries, while I, on the other hand, regard it as a protection against the liberty of the native population to buy where it may appear cheapest and most convenient, in other words, the protection of the home country against the home country. Protective duties and compulsory guilds impose a sacrifice upon a part of the population for the benefit of the other part, especially the obligation to buy goods at a

higher price than would otherwise be the case, in order that this other part of the population may be ensured bread and be protected. But protective duties have also the disadvantage that in the main they only enrich a few factory proprietors. This is their sole result, for I have never seen that factory operatives have put away large savings or become rich. On the contrary, I have known rural labourers, on manors of the Eastern Provinces thoroughly familiar to me, who have been able, after working during their best years, to buy settlements or small peasant holdings. I know of no poor on the manors of the Eastern Provinces, but I wish I could say the same of the Western factory districts."

Doubtless it was the ardent agriculturist who spoke here, the advocate of the country as against the town, of the plough as against the loom. Did he not once say that if he had his way the large towns should be swept from the face of the earth? And yet if it be conceded that young Herr von Bismarck had not reasoned himself into this attitude by the study of economic text-books, he had certainly arrived at the very definite conclusion that protective laws are partial laws, which promote the material interest of the few at the expense of the resources and the convenience of the many. Not only so, but it is an arguable contention that Prince Bismarck never became genuinely convinced of the economic wisdom of Protection. To the last he protested that he was "never passionately attached" to protective duties, and his favourite arguments were always the political and financial arguments—expediency on the one hand and revenue on the other—while

on the question of principle he was always ready to make concessions to his opponents which really involved the very substance of their objections.

Coming to a later period, when he had already been in office some years, we find him objecting to all duties which were not levied for purely fiscal purposes, and especially those duties which inflicted a disproportionate amount of hardship upon the poor.

"I am always seized with a certain feeling of regret," he said in the Customs Parliament on June 21st, 1869, "that we do not express ourselves with full and real candour when I hear pathetic laments about the 'poor man' who sees his petroleum, his light, his intelligence, and his tobacco taxed, coming from the very lips that say 'Yes' to the taxation of flour, bread, even fuel, meat, and salt at the expense of the same 'poor man' without any qualms of conscience whatever. I do not deny that a harsh expression hovers on my lips when I hear that kind of lament. I am not able to follow such reasoning, and I doubt whether the common people, for whom you are so solicitous, can follow it either."

And again on the same occasion :—

"I think that our customs legislation should be developed in the direction of the ideal of pure financial duties, not, perhaps, attaining this ideal, but striving to approach it. I call it an ideal because it will perhaps prove to be unattainable. It is the common task of yourselves and the Federal Council to prevent this approach from taking place too precipitously, so as to expose to injury the native industries which have hitherto been fostered and protected by legislation. I own that in aiming in

this direction we should conserve rightful interests. If, however, we would revert to financial duties we must seek out the proper objects for taxation, and among these I unreservedly give to petroleum the first place. It is one of those articles of consumption which are not so absolutely indispensable as bread, salt, and meat—which, however, we likewise tax—and which have already, or promise to have, so extensive a consumption that a moderate duty affords at once the prospect of considerable revenue."

But, in truth, Bismarck never made any concealment of the fact that upon economic as upon political questions he was an opportunist of the first water, and that his course was invariably dictated by practical considerations alone, so that if national expediency and interest, as he conceived them, required that principle and theory should be abandoned, abandoned they must be. Speaking on February 21st, 1879, during a debate on the Austrian treaty of commerce, he said:—

"If I were to contradict myself I should for appearance sake very much lament it, but if I saw that it was necessary in the national interest to retrace a way which I acknowledged to be fallacious I should not hesitate for a moment to confess my error openly and either to make room for someone who would manage matters better than I, or, if required, to do better myself."

One of his biographers, Dr. Poschinger, writing of him during his lifetime, said truly:—

"Bismarck the economist has passed through a certain course of development, always guided by circumstances, which seemed to require now this, now that, line of action. One would not be justified in

tracing his economic views to any certain system. Were one to say that Prince Bismarck is a Protectionist, one would make a great mistake. He will be a Free Trader as soon as his neighbours do away with their customs, perhaps even in a moment when he hopes to influence their commercial policy by Germany's example. He favours taxation where the financial interests of the country require it, and protective duties where he thinks a country without them is going to economic ruin. Thus he would advocate a tobacco monopoly or a tobacco duty, according as the one or the other proposal had hopes of fulfilment, and according as want of money was greater or smaller. He is opposed to a customs union with Austria, and only sympathises with a similar project when it seems to him to be politically and economically useful. The prosperity of his fatherland is his only guiding star. Here we come to a trait of his character which cannot be passed over. One cannot separate the economist Bismarck from the politician, but the former must be subordinate to the latter."

This, after all, is but a paraphrase of his own reiterated words. "Since I became Minister," he told the Reichstag in July, 1879, "I have never belonged to a faction, and I would not. I have been hated by all in turn and loved by several. That has gone on *à tour de rôle*." But he, for his part, hated and loved in turn, using or discarding party after party just as they showed themselves willing to assist him in carrying out his tasks. He had to pay their price, which was sometimes usurious, but having bought his support he deemed it fair to refuse to continue the contract when its time had expired.

"I have never had but one compass, one pole star, after which I have steered, *salus publica*," he said in the Reichstag on February 24th, 1881, "I have often, perhaps, acted rashly and indiscreetly; but when I have had time to reflect I have always subordinated myself to the question; what is useful, expedient, and right for my fatherland—for my dynasty, so long as I belonged to Prussia only, and nowadays for the German nation? Never in my life have I been a *doctrinaire:* all systems by which parties are divided and bound together are of secondary importance for me; the first place I give to the nation, its position abroad, its independence, the organisation necessary in order that we as a nation may breathe freely in the world."

Such being the principles of his public action, it is no surprise to find that the economic policy which he pursued during the first decade and a half of his Ministerial life was in general sympathetic to Free Trade, for the interests of the country at that time seemed to require that it should be so. The commercial treaty which he concluded with France in 1862 was distinctly Free Trade in principle, yet, as we have seen, the motives which prompted him to this step were political rather than economic. In 1873 he agreed to the abolition of the remaining iron duties, and they did in fact disappear from January 1st, 1877. In 1875 he advocated the restriction of the tariff to ten or a dozen articles, with a view to the retention of merely fiscal duties. Holding theory so lightly, and insisting that practical considerations, as he recognised and interpreted them, must be the sole determinative of his action, it was not

difficult for Prince Bismarck to detach himself from his earlier traditions and to come forward as a Protectionist. On April 28th, 1877, the Government were asked by interpellation to institute an investigation into the state of industry and agriculture, so far as related to the conditions of production and sale, but the invitation was not sympathetically received at the time. And yet Prince Bismarck has named the year 1877 as that of his formal, or more truly official, conversion. Speaking in the Reichstag on November 29th, 1881, he said:—

"During the first fifteen years of my Ministerial life I was absorbed by foreign politics, and I did not feel called on to trouble myself much with the internal politics of the Empire, nor indeed had I the necessary time. I took it for granted that our domestic concerns were in good hands. Afterwards, when I lost the help that I thought reliable, I was compelled to look into matters myself and I found that while I had up to then sworn *in verba magistri*, the actual results did not support the theories upon which our legislation was based. I had the impression that under the Free Trade system introduced in 1865 we fell into a condition of decline, which was indeed staved off for a time by the new blood which came with the five milliards, and that it was necessary to find a remedy."

Asked by an opponent on February 21st, 1879, whether in 1862, when concluding the commercial treaty with France, he shared the "economic [Protectionist] tendencies" of his later years, he replied with characteristic candour:—

"I should be proud if, as is alleged, I had had 'economic tendencies' of the kind, but I must confess

to my shame that I had not. . . . Had I really been convinced that the policy of the President of the Chancellery [of the North German Confederation] was disastrous for our economic life, I should have been justified in counteracting it. It might have led to the President's earlier withdrawal, but my formal right was beyond doubt. But when for a task like that of the consolidation of the German Empire in its first beginnings, or of the North German Confederation, as a prelude to the German Empire, I secured the co-operation of a statesman of the importance in his own domain of Deputy Delbrück, it is clear that I could not pretend to require that President Delbrück should conduct economic policy, in which he was the first authority in all Germany, according to my directions; but it was naturally understood *cum grano salis* that (as was in reality the case) I should with confidence leave matters with him, and I am far from saying that I regret this confidence. . . . I did not mix in economic questions, but tried to secure the most prominent men and statesmen who were willing to help me in carrying out the work which I had undertaken. It is beyond doubt that I did not hold the economic views of the then President, and when I did not follow them I do not know how matters were arranged, though I fancy I must in most cases have given in, because politically I was glad to sacrifice my own opinions in order to retain so valuable co-operation for the cause I had in hand."

And again he said in the Prussian House of Deputies on February 4th, 1881:—

"Before I went into customs questions myself I had no special opinions of my own, but fell in with those of my colleague Delbrück, whom I regarded as the right man in the right place. At that time I had no time to form any definite conception of commercial policy. I deny that my earlier views were different from those of to-day, for in truth I had none at all;

I was the diligent disciple of Herr Delbrück, and when I have avowed any views at all they were his views. When he left me I was compelled to form my own; they are perhaps in many respects different from his, but I did not formerly hold antagonistic views which I have since changed."

It was thus natural that when at last Prince Bismarck resorted to Protection it was under the spur of financial necessity rather than of economic conviction. No one who has waded through the Parliamentary proceedings of that time can resist the conclusion that the reform of Imperial taxation was the Chancellor's underlying motive, and that this reform of taxation was primarily undertaken with the object of providing the Empire with a sufficient independent revenue, so that it need no longer rely on the States and their Legislatures. In the forefront of domestic needs he had for years placed fiscal reform. "The entire reform of taxation, inclusive of the customs duties—who does not wish it?" he said in the Reichstag on November 22nd, 1875. "But it is a Herculean work which one must have touched experimentally as a comparative layman in these matters, such as I am, in order to really comprehend its difficulties." Moreover, so long as the pressure of foreign questions continued, it had been impossible to essay this great task, inherited from the very establishment of the Empire.

The Imperial Constitution adopted in 1871 had provided that in so far as the expenditure of the Empire was not covered by revenues set apart for

its special use the deficiency should be made up by contributions from the Federal States according to population. These were known as matricular contributions, and their aggregate amount was fixed each year in the Imperial budget. Prince Bismarck always chafed under this system of State maintenance, which he regarded as undignified and as partaking of the character of a species of poor relief, while at the same time holding that the disproportionate incidence of the matricular contributions created a rightful feeling of injustice and inequality on the part of those populations which bore too large a share. It was undignified, because it made the Empire and those responsible for the transaction of its affairs dependent upon the good-will of the various States, which meant in the last resort the humour of their Legislatures and the caprice of the electors. It was unjust, because it was based on taxation according to population, irrespective of the considerations of wealth and ability to pay. To this aspect of the question he referred on November 22nd, 1875, in the speech already named:—

"Speaking entirely from the standpoint of the Empire, I seek as great a reduction as possible, if not the complete abolition, of the matricular contributions. It is scarcely disputed that the form of the matricular contributions is one that does not fall upon the contributary States in proportion to their capacity. I might say that it is a crude form, which may serve as a makeshift so long as we are not able

to provide the Empire, in its early youth, with revenues of its own. If, however, it is acknowledged that it is a tax which is not just in its incidence, it cannot be regarded as a means of consolidating the Empire."

He had always held it to be unreasonable that, to cite his favourite illustration, 30,000 inhabitants of agricultural Thuringia or Waldeck should pay as much as the same number of citizens of wealthy mercantile towns like Hamburg and Bremen.

Earlier than this—on May 1st, 1872—he had told the Reichstag, when speaking of the salt tax:—

"The position of the Imperial Chancellor is primarily determined by the consideration whether the political condition of the Empire would be made better or worse by the abolition of an Imperial tax, and whether the responsibility to the Empire which rests upon him is so heavy as to compel him to resist its abolition on political grounds. I regard the Empire's independent revenues as so important that I do not believe a Chancellor conscious of his responsibility, and actuated by a proper concern for the stability and development of the Empire, could consent to the diminution of these revenues unless an adequate substitute were provided. Dependence upon other taxes is problematic, and dependence upon matricular contributions I cannot accept at all. The great cement of a strong common financial system is lacking to the Empire so long as it is founded only on matricular contributions. That these contributions fall unequally is a question of justice, but to diminish them is in my opinion the task of a well-considered Imperial policy."

Above all there was the political aspect of the question. Prince Bismarck lived in constant

dread of the "centrifugal elements" which did not share his own attachment to the Empire or his own conviction of its permanency. The spirit of particularism was not dead—is not dead to-day—and he desired to make the Empire as independent as possible by placing it in possession of ample and elastic resources. He did not want the citizens of the new Confederation to be perpetually asking themselves, as they reckoned out the incidence of the matricular contributions, "What does the new Empire cost me, and is it worth the price?" The financial aspect of the Empire he therefore wished once for all to force into the background. These were not apprehensions which so shrewd a statesman as he could safely avow, for to have done so would have encouraged the forces which were ranged against him, and might at the same time have defeated his entire scheme; and one of the secrets of successful statesmanship is to get your own way while allowing your opponents to believe that they are getting theirs.

"The Imperial contribution," he told the Reichstag on one occasion, "presupposes that the condition of matricular contributions will be a transitional one, lasting only until Imperial taxes shall have been introduced. . . . The consolidation of the Empire will be promoted when the matricular contributions are replaced by Imperial taxes; it would not lose if these taxes were so prohibitive that the individual States received from the Empire instead of their having to give in a way that is not always computable and is for them inconvenient."

Besides, as he reminded the same pugnacious body at another time, the Empire "had not yet grown strong enough to be made the arena for trials of strength" between State and State.

Further, Prince Bismarck was powerfully influenced by his conviction, in which he never wavered, of the inexpediency of direct taxation, and the political wisdom as well as the personal convenience of the policy of raising revenue by indirect means—on the one hand by financial customs duties and on the other by excise dues on articles of internal production and consumption. A volume would be taken up by the speeches which he made in the Reichstag alone upon this, one of his favourite themes. For years the basis of taxation in Prussia had been the land, income, class, building, and trade taxes, all of which had existed since 1861 and several for a much longer time. For not one of these taxes had Bismarck a good word to say, and if he never made any serious attempt to abolish them it was because he saw no hope of obtaining a satisfactory equivalent elsewhere. His idea, however, was indirect taxation as far as possible, and direct taxes on income and capital only to the extent that they fell upon the very rich, and even then only by way of public recognition of their splendid material isolation from the rest of their fellow-men. His own term for imposts of this kind, so emphatically partial and class in character, was "honorary taxes" (*Ehrensteuer*).

As early as May 21st, 1869, we find him telling the Prussian Diet that it was his desire so to arrange taxation that it might be levied with the least possible pressure upon those liable, hence to rely as little as possible upon direct taxes.

"Direct taxes," he said, "always press on the tax-payers with a certain angular brutality. I do not count amongst these taxes the tax on light (petroleum), nor yet those on the necessaries of life, like bread and salt, and if I cared to talk about the cruelty of embittering 'the poor man's' pipe of tobacco or invigorating drink, and yet were conscious at the same time that I still required from him the poll-tax and the bread-tax, I should be honest enough to ask myself 'What do you really mean by such hypocrisy?' So long as we tax bread, so long as we continue to demand the bread-penny from every member of the labourer's family, yet tax but slightly or not at all those luxuries which, indeed, I would concede to every man, even the poorest, yet which, when he has no money, he must for a time at least dispense with, so long do I hold the complaint about the flour tax, the meat tax, and the bread tax to be absolutely justified."[1]

Hence, too, in a speech made in the Reichstag on November 22nd, 1875, he said:—

"I declare myself as essentially favourable to the raising of all possible revenue by indirect taxes, and I hold direct taxes to be an onerous and awkward makeshift. . . . Indirect taxes, whatever may be said against them theoretically, are in fact less felt. It is difficult for the individual to calculate how much he pays, and how much falls upon his neighbours, but he knows how much income tax he pays. . . .

[1] The *Mahlsteuer*, a tax on ground corn, and the *Schlachtsteuer*, a tax on live stock killed for food, were abolished January 1st, 1875.

With direct taxes a man is not asked: Can you on a pinch do without your beer; can you smoke less; can you use less light (petroleum) of an evening? No, he must pay the direct tax whether he has money or not, whether in debt or not; and what is worse, distraint follows, and nothing has a greater effect on a man's disposition than execution on account of a few pence which cannot at the moment be extorted from the one who owes them."

Holding thus the view that direct taxation and discontent went hand in hand, it is hardly a wonder that he later went a step further and came to identify the advocacy of such taxation with hostility to authority and to attribute to it mischievous political intent.

"Those who want to see the electors dissatisfied with the Government will hold fast to the direct taxes; those who seek to promote content in the population will be more for indirect. That is the result of practice and experience, and I need not develop the psychological reason for it. Whoever offers opposition wants to see discontent amongst the people, and will devise means to find it and to excite it, by representing the Government as incapable, malevolent, and perhaps only as clumsy."

In a speech made on February 22nd, 1878, in which he contended that "at this moment every hundred million marks levied in England and France are raised with less pressure on the population than with us," he justified direct taxes on other grounds—whether conclusively or not is a question apart:—

"Indirect taxes are preferable to direct not merely because of the advantages in the mode of raising them, the superfluity of executions and distraints, and

the fact that the taxpayer fixes both the time and measure of his taxation; their great superiority is to be sought in their counterbalancing effect, by virtue of which the indirect pressure of taxes is distributed, in a manner varying according to local circumstances and the conjunctures of trade, among all those persons who are affected, from the production or import of the object taxed to its consumption. While direct taxes, for the most part, fall entirely and immovably upon those liable, who cannot transfer them to others, and are often threatened with distraint, an indirect tax is primarily taken from the one liable, but he is able, so far as home products are concerned, to transfer the tax he has paid to the buyers of his goods, while as for taxed articles imported from abroad the producing country wholly or partially bears the tax. Since the indirect tax is, as a rule, incorporated with the other competing factors which go to the formation of price, as one of the less important elements of a now indivisible whole, its burdensome effect upon the individual, not apparently, but to a great measure actually, disappears. Thus all the advantages advanced on behalf of direct taxes can at the most claim a theoretical value. In theory the tendency to affect the individual in proportion to his capacity, which lies at the basis of these taxes, may be estimated too high; the practical form of such taxes very seldom fits in with this theory. The financial capacity of the individual taxpayer is not always expressed in his income, apart from the general impossibility of calculating that income even approximately. Family position, health, and local and other circumstances, which direct taxation disregards and must disregard, create the greatest diversity in actual financial position even among persons of equal income."

It is noteworthy also that Prince Bismarck was a decided advocate of the exemption of small incomes from taxation of all kinds.

"I hold in general," he said on February 4th, 1881, "the principle that the man who has nothing but his two hands—untrained hands, that is, which have learned no industry—wherewith to earn his livelihood, should be entirely exempted from taxation—not only from State taxation, but from communal imposts as well—and that taxation should only begin when another capital exists. This capital may take the form of physical or mental skill, but it should in my opinion be above the level of the simple artisan, who has not been able to learn anything, not because of his own fault, but from lack of means for his education. . . . He whose means are such that he has nothing in the world to depend upon but uncertain employment—as in Berlin here, clearing away snow in winter and digging in summer—should, in my opinion, be required by the State to do nothing but help in time of war to defend against the stranger the roof which protects him. He should not be called upon to pay money."

CHAPTER V.

THE TARIFF OF 1879.

NOTHING can be clearer or more indisputable than that up to 1878 Prince Bismarck and the Federal Government entertained no idea whatever of industrial and agricultural Protection. The revision of the tariff was already determined on, but the revision was to be undertaken solely in the interest of revenue; the duties to be imposed or increased, as might happen, were to be regarded as fiscal, not protective duties. The Government's position was sketched by the semi-official *Provinzial-Correspondenz* as follows:—

"The Government seek no reaction in the domain either of politics or of taxation and economics, but merely a rational development. Instead of anarchy and the subversion of monarchical, constitutional and social institutions, as well as the institution of property, they desire the energetic interference of the State for the protection of our culture and our civilisation and the progress of our industrial activity. While in regard to taxation they aim at a rational reform, which will promote the interests of the Empire as well as of the individual States, and alleviate the burdens which fall upon the nation, in regard to mercantile questions they seek to protect national interests on the lines of the development which has taken place since 1818 and the founding of the Customs Union, and that without any

prepossession for the doctrines of those politico-economical parties which, out of regard for a supposed consistency of opinion, have overlooked the practical interests of the nation."

In August the Finance Ministers of the various States met in conference at Heidelberg, and here likewise the same views were represented, the same intention adhered to. Their report merely recommended the increase of the Imperial revenue by means of a tobacco duty and of duties on certain suitable fiscal articles.

It was at this point that the question was taken out of Bismarck's hands to be developed and settled in a way which he had hitherto never seriously anticipated. For the party of reaction in the Reichstag had meantime been active. They recognised that the moment was propitious for a return to the policy discarded under the influence of Minister Delbrück, and thanks to the promptitude, urgency, and vigour of their interposition they were able to create the impetus which sent the Chancellor, while still wavering with open mind, clear across the border line which divided fiscal from protective policy. Already he had reconstituted his Ministry, which was a task of no great difficulty. Alluding once to the incident in a conversation with myself, Prince Bismarck said that his Free Trade colleagues of that day "left him." Minister Delbrück, it is true, had already gone voluntarily, for he took his leave in June of 1876, and he was now a member

of the Reichstag. The only serious obstacle to the new policy was Camphausen, Vice-President of the Prussian Ministry of State, who had succeeded Von der Heydt as Minister of Finance in 1869. His retirement, voluntary or not, took place in March, 1878. Now the Chancellor took the helm in his own hand, and more than the helm, for he made himself responsible henceforth for Germany's policy in every detail, both at home and abroad. Like the survivor of the famine-stricken craft of the ballad, he was captain, mate, boatswain, cook and all. For many years to come Bismarck was literally the State.

The political portents of the time were favourable to reaction. The re-election of the Reichstag which followed the two attempts of May 11th and June 2nd, 1878, upon the life of the Emperor William I. placed the Liberal fractions in a minority. The two Conservative groups numbered 78 in the House of 1877, 116 in that of 1878, and while the National Liberals fell from 128 to 99, the Radicals and the Socialists fell from 51 to 36. The Ultramontane Centrum, the most unvarying of all parties, added one to its earlier 93. Liberalism was in bad case. The Conservatives and Clericals alone would have outnumbered the popular parties and the mildly progressive National Liberals combined by 76 votes (210 to 135), even had a grouping so favourable to Liberal policy been possible. It soon appeared, however, that Free Trade would have to contend against odds far more

desperate, which made the issue of the fiscal encounter from the very beginning a foregone conclusion. In the course of the new session 204 Conservative, Clerical, National Liberal, and other deputies, forming a majority of the House, consorted in the "Free Economic Union of the Reichstag," with a view to deciding upon joint action on the impending fiscal reforms, and on October 17th they published a formal declaration of Protectionist faith and policy. This declaration was believed to have previously received the sanction, and it was certainly issued with the knowledge of the Imperial Chancellor, whose hand it unquestionably strengthened. It stated:—

"Throughout the German Empire a clear and definite decision regarding the basis of German commercial relationships is awaited from the Federal Governments with suspense. It was therefore both desirable and essential that the Reichstag now assembled should weigh the questions connected with the Imperial Government's attitude towards commercial policy. The undersigned members of the Reichstag express regret that such a course was not possible inasmuch as the only purpose of the convocation of the Reichstag was the consideration of the Socialist Bill, and the inquiries into the economic position and the vital conditions of several of the principal industries of Germany are not yet completed. In order, however, to remove the erroneous impression that the Legislature lacks the necessary interest in the nation's rightful claims in the domain of commercial policy, and a resolute will to give effect to these claims, we feel bound to declare that we have been solely prevented by the reason stated from taking the initiative as expected by the country,

and that, in view of the mercantile policy adopted by most of the countries adjacent to Germany, of the injury caused to the national welfare by the deficiencies of the German customs tariff, and of the continuance of the crisis in German industry and agriculture, we regard as necessary a reform of the tariff based on careful investigation and deliberation, and we are therefore resolved to advocate the same in the next ordinary session of the Reichstag. Although viewing the question from various commercial-political standpoints, the undersigned are agreed in the fundamental idea that the difficult questions comprehended in German mercantile policy are not altogether to be settled by the watchwords of 'Free Trade' and 'Protective Duties,' but that what must be done is to reconcile real and supposed conflicts of interests by the display of knowledge, discretion and patriotism."

While the country was pondering the significance of this unexpected move, and was wondering what would happen next, Prince Bismarck was in busy correspondence with Baron von Varnbüler, a prominent member of the Economic Union and formerly a Würtemberg Minister, who had sought the formal avowal of his views and intentions. Writing on October 25th, Bismarck informed his correspondent that it was "certainly my intention to proceed to a thorough revision of our customs tariff and in the first place to lay proposals before the Federal Governments for prior examination. The preparations to this end have already begun. I shall not be prepared to consider the conclusion of new commercial treaties with conventional tariffs until the revision of our tariff is completed."

Accordingly the Chancellor on November 12th

brought the question before the Federal Council, which at his proposal appointed a committee of fifteen members to revise the tariff and to call in the aid of such experts as they might desire to consult in so doing. In justifying this course Prince Bismarck now frankly avowed his acceptance of the Protectionist position, though his first public utterance on the subject was contained in a letter of December 15th, which he addressed from Friedrichsruh through the Federal Council to the Revision Committee before it began its work.

"For myself the interests of financial reform take the first place," he still took care to say, "the diminution of the weight of direct taxation by the increase of the revenue of the Empire which is based on indirect taxes. How far Germany lags behind other States in the financial development of its customs system is shown by the accompanying comparison, and this comparison would show Germany in a still more unfavourable light if to the revenues from customs and duties credited to Austria, Hungary, France, and Italy were added the sums which these States levy in the form of a tobacco monopoly, instead of a duty on foreign tobacco, and those which are raised for the benefit of the communes as *octroi*. It is no accident that other great States, and especially those of a very advanced political and economic development, seek by preference to cover their expenditure by the proceeds of duties and indirect taxes. . . . In the greater part of Germany the direct taxes, including the communal imposts, have reached a height which is oppressive and appears to be economically unjustifiable. The people who suffer most from them at present are those members of the middle class whose income ranges up to 6,000 marks (£300). . . Should the taxation reform which I regard

as necessary offer ameliorations that reach to this limit, it must begin with the revision of the customs tariff on as broad a basis as possible. The more productive the customs system is made financially, the greater can and must be the relief in direct taxes, for it is self-evident that the increase of the indirect revenues of the Empire cannot imply an increase of the aggregate burden of taxation.

"Not in the increase of the burdens which are necessary for the purposes of the Empire and the States, but in the transformation of a larger part of these unavoidable burdens into the less oppressive form of indirect taxes, consists the financial reform which it is the purpose of the revision of the customs tariff to effect. In order to obtain a basis for such revision consonant with this standpoint it is in my opinion desirable not merely to impose higher duties upon those articles which are specially suitable, but to go back to the principle of the taxation of all imported articles which is laid down in the Prussian customs legislation of the year 1818 and later found expression in the universal import duty of the tariff of the Zollverein until the year 1865. From this general liability to duty those raw materials indispensable to industry would be excluded which are either not produced at all in Germany, like cotton, or are not produced in sufficient quantity or quality. All articles not specially excluded should be subject to an import duty graded, according to the value of the goods, in various percentages according as they are necessary for home production."

Questions of economic theory had no value for a statesman who carried his disregard for theory of every kind to the point of pedantry; a statesman whose prejudice against everything that was *doctrinaire* made him *doctrinaire* himself.

"I leave undecided," proceeded the letter, "the question whether complete mutual freedom of

international commerce, such as is contemplated by the theory of free trade, would not serve the interests of Germany. But as long as most of the countries with which our trade is carried on surround themselves with customs barriers, which there is still a growing tendency to multiply, it does not seem to me justifiable, or to the economic interests of the nation, that we should allow ourselves to be restricted in the satisfaction of our financial wants by the apprehension that German products will thereby be but slightly preferred to foreign ones. The existing Verein tariff contains, together with the purely fiscal duties, a series of moderate protective duties intended to benefit certain branches of industry. The abolition or decrease of these duties does not appear advisable, especially in the present position of industry. Perhaps, indeed, it would be well to re-introduce duties on a number of articles or to increase the present rates in the interest of various depressed branches of home industry, in accordance with the results of the investigation now in progress. Yet protective duties for individual industries, when they exceed the limit imposed by regard for their financial proceeds, act as a privilege and arouse on the part of representatives of unprotected industries the antipathy to which every privilege is exposed. A customs system which secures to the entire home production a preference before foreign production in the home market, while keeping within the limits imposed by financial interests, will not run the risk of this antipathy. Such a system will in no way appear partial, because its effects will be more equally spread over all the productive circles of the land than is the case with a system of protection for isolated branches of industry. The minority of the nation which does not produce at all, but exclusively consumes, will apparently be injured by a customs system favouring the entire national production. Yet if by means of such a system the aggregate sum of the values produced in the country increase and thus the national wealth

be on the whole enhanced, the non-producing parts of the population—and especially the State and communal officials who are dependent upon a fixed money income—will eventually be benefited; for means of counterbalancing hardships will be at the command of the community in case the extension of customs liability to the entire imports should result in an increase of the prices of the necessaries of life. Yet with low duties such an increase will in all probability not take place to the extent which consumers are accustomed to apprehend, just as, on the other hand, the prices of bread and meat have not fallen to an appreciable degree in consequence of the abolition of the duties on corn-grinding and cattle-killing in the parishes where these used to exist. The real financial duties, imposed on articles which are not produced at home, and the import of which is indispensable, will in part fall upon the consumer alone. On the contrary, with articles which the country is able to produce in quantity and quality adequate to the home consumption the foreign producer will alone have to bear the duty in order that he may compete in the German market. Finally in cases in which part of the home demand must be covered by foreign supply, the foreign producer will in general be compelled to bear at least a part, and often the whole of the duty, and thus to reduce his profit to the extent of this amount."

Meantime, the Radicals and Free Traders—the "Manchester men" of that day—were on the alert. An Association for the Advancement of Free Trade (*Verein zur Forderung der Handelsfreiheit*) was formed under the presidency of Dr. Bamberger, a member of the Reichstag and a high authority on finance. The first clause of its statute ran:—"The Association for the Advancement of Free Trade seeks the maintenance

of the measure of free international trade so far reached and its extension by means of commercial treaties," and in this sense it addressed a pressing memorial to the Federal Council on December 28th, 1878. The memorial came too late. With the publication of the Chancellor's letter the Government were committed, and from the position and policy therein outlined there was no withdrawal. In full sympathy with it was the speech from the throne which opened the following session of the Reichstag, on February 12th, 1879.

"The Federal Governments," ran this utterance, "are considering legislative measures for the removal, or at least the diminution, of the economic evils from which we are suffering. The proposals which I have made, and still intend to make, to my allies aim, by providing the Empire with new sources of revenue, at placing the Governments in a position to desist from levying the taxes which they and their legislatures recognise as the hardest to enforce. At the same time I am of opinion that the country's entire economic activity has a right to claim all the support which the legislative adjustment of duties and taxes can afford, and which in the lands with which we trade is, perhaps, afforded beyond actual requirement. I regard it as my duty to adopt measures to preserve the German market to national production so far as is consistent with the general interest, and our customs legislation must accordingly revert to the tried principles upon which the prosperous career of the Zollverein rested for nearly half a century, but which have in important particulars been deserted in our mercantile policy since 1865. I cannot admit that actual success has attended this change in our customs policy."

A few days later (February 21st) Prince Bismarck reconnoitred the ground on the occasion of a discussion of a projected commercial treaty with Austria-Hungary. It should be said that the treaty of March, 1868, between that country and the old Zollverein had been denounced in October, 1876. It had contained reciprocal ameliorations of the general tariffs of the contracting States, but Austria had declined to renew it on the old basis. On December 16th, 1878, the treaty was prolonged for one year pending the settlement of a new treaty and its due ratification by the Reichstag. The treaty was accepted, but the discussions to which it gave rise covered a far wider area. The entire question of fiscal policy was thrown into the controversial arena, and was debated by both sides with a vigour and at times a bitterness which faithfully reflected the temper of national opinion.

"I propose to return to the time-honoured ways of from 1823 to 1865," declared the Chancellor to the delight of the members of the Protectionist Economic Union, while Radical deputies like Bamberger, Lasker, and Richter joined issue in uncompromising spirit, predicting the ruin of German commerce and industry, and accusing Bismarck in sharp words of being a renegade.

Outside there was the same ferment, the same passion, the same resolute contest of forces which recognised that a fateful issue hung in the balance. Combination was answered by combination, manifesto by manifesto, demonstration

by demonstration. On the Free Trade side the most striking public protest was that of a congress of representatives of all the large towns in the Empire, held in Berlin on May 17th. That, too, was unavailing.

Before this a Bill had been laid before the House on lines recommended by the Tariff Committee of the Federal Council, and the Chancellor, with unwearied energy, consummate tact, and marvellous resource, himself piloted it safely through the more than usually stormy waters of Parliamentary debate.

In the speech with which he opened the discussion on the Bill on May 2nd, 1879, he said :—

"The more I have gone into the question the more have I become convinced of the necessity and the urgency of reform. The present condition of German finance—by which I mean the finance not only of the Empire but of the individual States as well—is such that in my opinion it imperatively calls for a speedy reform. The first motive which impels me in my political position as Imperial Chancellor to enter upon such a reform is the need of the financial independence of the Empire. This need was recognised when the Imperial Constitution was drawn up. That Constitution presumes that the system of matricular contributions should be a temporary one, and should only last until Imperial taxes were introduced. . . . Certainly it is undesirable that the Empire should be a burdensome boarder or a dunning creditor, while it might be the liberal provider of the individual States if only proper use were made of the revenues which the Constitution put in the Empire's way, yet which hitherto have been disregarded. To this state

of things I maintain an end should be made, since the matricular contributions are unjust in their distribution. . . . The consolidation of the Empire after which we all strive will be furthered when these contributions are replaced by Imperial taxes; it would not lose if these taxes were so abundant that the individual States received from the Empire instead of giving to it as hitherto in a way not always computable and at the same time inconvenient.

"A second reason why a change of the present system seems necessary lies in the question—Is the burden, which must necessarily be imposed in the interest of the State and the Empire, imposed in the form in which it can most easily be borne, or is it not? This question must, according to my conviction, be answered in the negative. . . . We do not by any means seek for larger revenues in so far as the Reichstag and the Diets do not agree with us in voting expenditure to meet which income would have to be found. Indeed, I do not know what the Empire would do with a superabundance of money; we had it when the French milliards came to us, and in the spending of them we got ourselves into a certain amount of perplexity. . . . We ask no more than we now have or than you and the Diets may be pleased to vote us; but we do wish that that revenue which is proved necessary may be raised in the form in which it can be borne most easily by the taxpayers. The Federal Governments are convinced that indirect taxes—that source of revenue so long neglected by the Zollverein—are the form in which the burden that we may have to bear will fall most lightly. . . ."

And turning to the question of protection for industry:—

"It is a reproach to our existing legislation . . . that the incidence of our indirect taxes does not afford to our national labour and production the measure of Protection which can be given to it without danger

to the interests of the community. I am not going to enter into any contention about Protection and Free Trade. Hitherto we have all been Protectionists, even the greatest Free Traders amongst us, for no one has been wishful to go below the present tariff, which remains moderately protective, and such is also the proposal that we make to you. We ask for a moderate protection of national labour. We are far removed from any system of prohibition such as exists in most neighbouring countries, as, for example, in America, which was formerly our principal buyer, where the duties average from 60 to 80 per cent. *ad valorem*. All that we propose by way of Protection keeps within the limits of financial taxation except where the omission of higher duties would entail great present injury upon larger classes of our fellow citizens."

Casting doubt upon the probability of any further Free Trade development for years to come, he added:

"The only exception is England, and that will not last long. France and America have both completely forsaken that direction. Austria, instead of reducing its protective duties, has increased them; Russia has done the same, not only through the gold coinage, but in other ways. Therefore no one can expect Germany to remain permanently the dupe of an honest conviction. Hitherto the wide-opened gates of our imports have made us the dumping-place (*Ablagerungsstätte*) of all the over-production of foreign countries. At present they can deposit everything with us, and their goods, when once in Germany, have always a somewhat higher value than in the land of origin—at least our people think so—and it is the surfeiting of Germany with the over-production of other lands which most depresses our prices and checks the development of our industry and the restoration of our economic condition. Let us once close the door and erect the somewhat higher barriers which are proposed, and

let us see that we at any rate preserve the German market—that market which, thanks to our good nature, is now exploited by foreign lands—for German industry. The question of a great export trade is always exceedingly precarious. There are no longer any great countries to discover; the globe is circumnavigated, and we cannot find any new mercantile nations of any great extent to which we can export. The policy of commercial treaties is, I grant, under certain circumstances very favourable, though whenever such a treaty is concluded it is a question of *Qui trompe-t-on ici?* and it is only seen some years later who is really the victim."

In a speech made on May 21st, Prince Bismarck developed his views on agricultural protection. His thesis was that low corn prices were an unmixed evil, yet that the taxation of imports would leave the consumer no worse off, since the duty would be borne by the foreigner. Here he joined issue with Dr. Delbrück, his late colleague in the Ministry, who had contended that the duty would only have the effect of making corn dearer, without benefiting agriculture at all.

"If cheap corn is the goal at which we have to aim we ought long ago to have abolished the land tax, since it burdens the corn-growing industry at home, which produces 400 million cwts., against the 27 or 30 millions which we import. But no one has ever thought of such a thing; on the contrary, the tax has been gradually increased throughout all Germany, so far as I know, and in Prussia it has increased 30 per cent. since 1861, viz., from 30 to 40 millions."

It was his ideal to secure to the farmers a certain sale for their corn by closing the markets

against the foreigner. He regarded as unjust a system under which agriculturists were on an average taxed for State and communal purposes to the extent of 20 per cent. of their incomes, and yet, owing to the free admission of corn, foreign countries were enabled to cripple them at every turn.

"It is not our intention to require of the entire corn consumed a higher financial obligation than now. All we intend to do is to commute a part of the direct taxes which now fall on the agriculturist into the form, if you will, of a duty on consumption levied on the frontier, and there imposed on foreign corn, so that there will not necessarily be an increase in the price of the entire corn supply, but only a slight attempt at compensatory justice in view of the disadvantages under which the producers of corn have hitherto suffered at home as against the exemption from taxation and other privileges which foreign corn producers enjoy. I am of opinion that this duty will have no influence on prices, but while the previous speaker (Dr. Delbrück) would regard that as a good fortune which he dare not anticipate, I contemplate it with a certain regret, for I must ask myself the question: Is not the moment approaching when our agriculture will no longer be able to exist because corn is pressed down to a price at which it cannot be remuneratively produced in Germany; taxation, the cost of living, and the debts on land being as they are? When that moment comes, then not only agriculture but the Prussian State and the German Empire will go to ruin as well. . . . But I need not picture the way in which agriculture, and with it our State and national existence, might decay, for it will not happen; twenty million German farmers will not allow themselves to be ruined; it is only necessary that they should become conscious of what is before them, and they will seek to defend themselves by all legal and constitutional means."

So, too, he defended the timber duties on the ground that they would keep out Russian and Swedish wood, and enable the home forester to earn a tolerable return without being under the necessity of hacking down all his trees in order to make ends meet. But whether the interest to be protected was agriculture or forestry or industry, the one thing certain was that nobody would be injured, but everybody benefited. The foreigner would, as a matter of course, bear the duties on industrial imports, and as for corn the home country would grow all that was needed without anyone having to pay a penny more. Deputy Delbrück, the ex-Minister, calculated that the corn duties would actually cost the army administration more than they would bring to the treasury in revenue, but at that time the Chancellor's theory of the incidence of taxation held the charmed ear of country party and town party alike, and Delbrück could only challenge the verdict of experience.

It is superfluous to follow the fortunes of the Tariff Bill before it emerged from debate, a completed measure, very much in the form proposed by the Government, whose difficulty in the then constitution of parties was not to persuade the Reichstag to adopt Protection sufficient but to persuade it to be moderate in its demands. It was inevitable, too, that interest should have played against interest in the universal scramble for gain. Referring to the insidious way in

which this was done, Professor Walther Lotz writes:

"Deputy Flügge characterised the negotiations which led to the increase of the majority and to the strengthening of Protection in words which are very familiar: 'If, (he said) the members present were behind the scenes in the House during the negotiations over the iron duties, then perhaps they had the same experience as I when I saw the "honourable brokers" come in. The one bid, "If you will give 50 for rye I will give you a full iron duty," or, "If you will reject von Weddell's amendment I will give you the rye duty," and so forth. Gentlemen, one doubted at the time whether one was not in the Leipzig Street rather than in an otherwise so honourable assembly as this.'" Lotz himself adds: "Eye-witnesses assure us that very American-like methods were used at that time in the land of poets and thinkers, that in order to strengthen the majority for the entire tariff protective duties were bandied about very liberally so long as the desire for them could be realised without offence to powerful interests. It was said, indeed, upon the Opposition side that the German Hamlet had become a Richard III."[1]

The Bill received Imperial assent on July 7th, 1879, and under it part of the new tariff came into operation at once, part on October 1st, 1879, and the remainder on January 1st, 1880. All the duties imposed were intended to be revenue-producing, though some articles were singled out for special taxation on account of their proved productiveness, such as Colonial goods, and

[1] "Die Ideen der deutschen Handelspolitik von 1860 bis 1891" (pp. 169 and 174), Dr. Walther Lotz, Leipzig, 1892.

especially coffee and tea, with petroleum, tobacco, wines, and spirits.

The corn duties were fixed as follows:

	Per ton.
Wheat, rye, oats and legumes	10s.
Barley, maize and buckwheat	5s.
Malt	12s.
Rape and rapeseed	3s.
Anise, coriander, fennel, cummin ...	30s.

Of industrial raw materials, cotton, wool, ores, and earths were admitted free. Upon manufactured and partly manufactured goods the following duties were imposed:

	Per ton.
Cotton yarn (according to number)	£6 to £24.
Carded wool	£1.
Woollen yarn	£1 10s.
Cotton goods, rough and bleached	£40.
Knitted goods	£60.
Pig-iron	10s.
Manufactured iron	25s. to 30s.
Rough iron and steel goods ...	£1 5s. to £3.
Fine „ „ ...	£12.
Sewing needles	£30.
Musical instruments	£15.
Machinery	£1 10s. to £4.
Common glass	£1 10s.
Fine glass ware	£4 to £5.

Scientific instruments of every kind were admitted free, as also sea and river-going vessels with their machinery, furniture, and utensils.

Grateful for the success of a cherished scheme of his own, the Emperor William, who was more

Protectionist than his Chancellor, wrote to the latter from Mainau on July 20th:

"I must now congratulate you on the victory you have gained in the Reichstag on the question of the customs tariff reform. To your many outside victories must now be added this one on internal financial questions. You undertook to stir up a wasps' nest, and I sided with you from conviction, although I feared the result of your enterprise. It is rare that such a complete change of public opinion has been achieved in such a short time, and one sees that after immense work and effort you hit the right nail on the head. Some damage may have been done in the process, but a majority of 160 votes is a triumph which will sweeten many of your bitter hours of preparation and fighting. The Fatherland will bless you for this, although the Opposition may not do so."

CHAPTER VI.

THE SUPPLEMENTARY TARIFFS.

GERMANY has often been blamed—and most of all by her own writers—for the entire Protectionist reaction which took place in the 'eighties. Referring to the movement for the commercial federation of the British Empire and its danger for German foreign trade, Dr. Eugen Moritz writes:

"But this danger has almost been provoked by the policy which has for many years been followed in Germany, since the policy of high protective duties whose foundation Bismarck laid in 1879 became for all other States in the world either an example worthy of imitation or a terrible warning, so that some of them surrounded themselves likewise with a system of high duties and others endeavoured to form themselves with their colonies into complete territorial unities."

There is justice in the accusation. With Germany's return to Protection began a general reaction which speedily spread over the Continent, and passed thence to the United States and to the British Colonies, deriving impetus and strength as it progressed. Russia increased her duties in 1881 and 1882, Austria and France did the same

[1] "Eisenindustrie, Zolltarif, und Aussenhandel," Berlin, 1902.

in the latter year, and it was not long before customs barriers rose on all hands to a height hitherto unknown. England alone showed an undisturbed faith in the policy of a free market.

Meantime Germany's first experiences of her new tariff were not in general encouraging. In the inevitable conflict of interests which was waged over the Bill in Parliament, when everybody wanted something, and was suspicious lest he should be left out in the cold, it happened necessarily that calculations miscarried. For the protection of one industry proved the prejudice of another. It was not to the interest of the producer of raw materials that the industrialist should be able to obtain his wool, his skins, and his ores from abroad as cheaply as possible, nor was it, on the other hand, to the interest of the industrialist that the home stock breeder, miner, and maker of chemicals and dyeing stuffs should command artificial prices, so making dearer the final processes of manufacture. Those who knew clearly what they wanted and had succeeded in getting it, those who had obtained protection for their monopolies, were well satisfied with the bargain which had been struck, but for a time discontent was wide spread, and disillusionment not uncommon. In the iron trade prices fell in spite of the duties, while in the textile trade the higher duties on yarns led to less work and decreased exports owing to dearer production. One man's medicine was often enough another man's poison.

"What influence," asked the report for 1881 of the Düsseldorf Chamber of Commerce, "has the new customs tariff, which entered into full force at the beginning of this year, had on production and prices? As to this point we can, on the authority of a searching investigation in industrial circles, assert with satisfaction that the influence of the tariff has in general been favourable for the industries of this district. The balance sheets of the larger establishments and the increase of the number of workpeople are visible evidence of it. It is true that some concerns still complain of the great foreign competition: yet they do not oppose the principle of the new customs system, but rather regard the protection given as insufficient. Nevertheless, we will not ignore the fact that many industries which use raw materials and half-manufactured goods from abroad are for the time worse off under the tariff, but no economic reform is conceivable without injury to individuals."

So, too, the Elberfeld Chamber of Commerce reported:

"It is unmistakable that individual branches of manufacture have been favourably influenced, particularly in the home market, though on the contrary others, and especially those which have to procure their raw material and half-manufactured goods from abroad, have to contend with great difficulties, so far as the export trade goes."

One curious miscalculation deserves to be noted. The Government originally proposed to schedule flax amongst the free imports, but, in the prevalent rage for protection, comprehension was judged the only safe principle, and it was saddled with a duty of ten shillings per ton. Directly the tariff came into force, however, it was found that the flax duty would not work at all, and a special Act

of Parliament was passed in April, 1880, repealing it. In the same way the soap and perfumery industry promptly petitioned for the removal of the duties on tallow and oil; the machine trades found that the dearer pig-iron and steel obtained from England made it difficult to compete in foreign markets; and the clothing trade, which produced largely for abroad, declared itself to be hopelessly handicapped. In some cases the duties were found to be useless, as there was no competition to be kept out.

Certainly there was a quick increase in the export trade and a corresponding decline in the imports of manufactured goods, as the following figures show:—

	Imports.		Exports.	
	1878.	1880.	1878.	1880.
	In 1,000,000 Marks.			
Iron and iron goods ...	67·0	28·8	157·3	177·4
Instruments, machines, and vehicles ...	34·8	15·6	74·1	79·3
Raw lead, copper, tin, zinc, and rolled zinc	30·7	27·3	50·3	47·3
Leather and leather goods	31·3	24·6	69·9	125 1
Silk goods	39·6	26·5	70·3	181·4
Yarn, rope, woven and knitted goods of linen, cotton and wool	213·8	189·0	354·1	413·2
Paper and cardboard goods	4·7	3·3	17·9	25·5
Colonial goods and comestibles... ...	148·2	84·4	232·5	319·1
	570·1	395·5	1026·5	1368·3

Thus, while the exports of industrial goods increased in two years 341·8 million marks, or 33 per cent., the imports decreased 174·6 million marks, or 31 per cent.

Nevertheless, the immediate prosperity which was promised to the working classes does not appear to have been realised. The Conservative party's programme of 1880 had to confess that "400,000 work-people roam the highways idle and unable to find employment." "The working man," wrote a Frankfurt journal a little later, "was promised a fowl in his pot; he has not got the fowl, and it is likely that he will lose the pot as well." There were moderate increases of wages in many industries, but they were not equal to the increased cost of living. A report of the Association of Iron and Steel Manufacturers, based on returns of 305 smelting works, foundries, and machine building works, set forth that while the average weekly wages on January 1st, 1880, were 15*s.* 3*d.* per week, they were only 16*s.* 4*d.* a year later. Colliers' wages (hewers) in Westphalia only increased from 15*s.* 5*d.* in 1878—79 to 15*s.* 7*d.* in 1879—80, and by 1884 to 16*s.*; while in Silesia they were long unchanged and only reached 15*s.* by 1885.

Referring to the effect of the high price of corn in 1881, when it stood at over £10 a ton, against £6 10*s.* before the duties were introduced, Dr. Karl von Scherzer wrote:—

"While the duties fall exclusively on the consumers there are no evidences whatever that with the dearer

price of the articles of daily consumption the wages of labour have correspondingly increased. . . . In 1878 and 1879 the average minimum and maximum wages in the most various industries of France ranged from 16s. to 28s., in England from 20s. to 33s., in New York from 30s. to 100s., in Chicago from 22s. to 36s., 24s. to 42s., and 60s. to 100s.; but in Germany they were 11s. 8*d*., 12s. 6*d*., and 18s. 10*d*. Moreover, in most of the countries named, the articles of daily use, like flour, bread, beef, milk, cheese, coal, &c., were cheaper than in Germany. Since the coming into operation of the new customs tariff this relationship has not become more favourable for Germany. The prices of food are still dearer, and the wages of labour have either not increased at all or have not increased in the same proportion, while in France, England, and especially America, wages have greatly increased during the last ten years. In these countries, too, the purchasing power of the mass of the people, which is of material importance for the sale of industrial products, has increased, while in Germany it has considerably diminished."[1]

The immediate effect of the corn duties had been a general fall in prices, due to the excessive imports and the over-speculation which had preceded the introduction of the tariff. When, however, an equilibrium had been regained prices speedily increased to a height unknown for years. Yet the predictions of both Protectionists and Free Traders were in some respects singularly falsified. The former had justified the corn duties by the low prices which had ruled for a long time. These prices were attributed to foreign competition, facilitated by cheap means of transport, and

[1] "Wirthschaftliche Thatsachen zum Nachdenken," Leipzig, 1881.

it was contended that Protection would alone prevent a still more disastrous decline. At that time the price of rye in the port of Bremen was under £6 10s. per ton. Yet, though the new duty on rye was only 10s., the price in the same market rose to £8 5s. in 1880 and to £10 in 1881. It was proved also that there never was more corn in the country than was required for the satisfaction of national needs, so that there was no question of retaining the home market for the home producers. In the first year of the tariff the foreign corn trade was as follows :—

	Imports. Tons.	Exports. Tons.	Excess of Imports. Tons.
Wheat ...	227,542	178,176	49,366
Rye ...	689,598	26,586	663,012
Barley ...	222,261	154,409	67,852
Oats ...	161,686	43,577	118,109
Maize ...	340,640	1,369	339,271
	1,641,727	404,117	1,237,610

As before, just half of the total excess of imports fell to rye, the staple food of the people. The extent to which the corn grower benefited in these early years is difficult or impossible to determine, though opinions agree that the small farmer, at any rate, gained nothing. For the fall in corn prices, when it came, was not for a long time accompanied by a proportionate fall in the value of the land and in rents, and to prevent that was the aim of the agrarian party. Both in the Eastern and Western Provinces of Prussia rents

increased even on the fiscal domains with new tenancies between 1880 and 1884, and only after 1885 did a decline set in. In Silesia there was no change, and in Pomerania, Brandenburg, and Posen there was a fall. On the other hand, in the Grand Duchy of Baden land values rather increased than decreased during the period 1868 to 1888, while leasehold rents declined.

It is interesting, at this distance of time, to recall the fact that before Protection had been in force three years the Government for a time seemed to waver and weigh the wisdom of revision. In August of 1883 the Reichstag was convened in extraordinary session to confirm a commercial treaty with Spain. This treaty proposed a substantial reduction of duties, and hopeful Liberals saw in it the sign of a disposition to return to the Delbrück policy of "conventional tariffs." Both sides gave and took—Spain had the duties on wine, oil, rye, fruits, lead, iron and copper ores, skins and furs, and cork goods modified in her favour, and Germany received concessions in respect of iron and steel goods, woollen yarns, aniline dyes, and other products. There was reciprocity, but it did not go far. Twelve years were to pass, and another Minister was to come to the helm, before the pressure of the tariff was to be eased all round, and meantime it was for a second and a third time made more severe.

In 1884 Prince Bismarck publicly claimed that Protection had "freed the country from economic

pressure," and that its prosperity was steadily increasing. Imports and exports were both advancing, and there was in every port more shipping; though that drooping flower of the national garden, agriculture, had not yet lifted up its head. In truth wheat in 1885 was lower in price than for 30 years, and rye much below the average.

The movement of corn prices may best be shown by a comparison:—

	Price per Ton.											
	Wheat.			Rye.			Barley.			Oats.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
1878 ...	10	2	0	7	3	0	7	17	0	6	19	0
1879 ...	9	16	0	7	4	0	7	8	0	6	14	0
1880 (first year of duties).	10	19	0	9	19	0	8	8	0	7	12	0
1881 ...	11	0	0	10	2	0	8	6	0	7	19	0
1882 ...	10	8	0	8	1	0	7	14	0	7	4	0
1883 ...	9	5	0	7	7	0	7	6	0	6	17	0
Average for six years.	£10	5	0	£8	6	0	£7	16	6	£7	4	4

It was estimated at that time that the cost of production of a ton of wheat averaged in all Prussia £9 10*s.*, varying from £5 17*s.* 6*d.* in the far East to £10 10*s.* in the South (Province of Saxony), while the price was in some markets £8 and even less. Even on the intensive farms of Thuringia corn could not be grown for less than £9 17*s.* 6*d.*, and it only brought the grower £8.

Not only so, but the corn imports had further increased. The following were the imports and exports in 1884 as compared with 1878 :—

	In tons. 1878.			In tons. 1884.		
	Imports.	Exports.	Excess of Imports.	Imports.	Exports.	Excess of Imports.
Wheat ..	1,055,000	785,000	270,000	582,530	36,190	546,340
Rye	945,000	196,000	749,000	842,530	6,280	836,250
Barley ..	434,500	266,000	168,500	433,540	37,260	396,280
Oats.. ..	290,000	134,500	155,500	365,960	18,520	347,440
Maize ..	114,000	20,650	93,350	191,990	410	191,580
Totals ..	2,838,500	1,402,150	1,436,350	2,416,550	98,660	2,317,890

And while the farmer had not been benefited there was no pretence that his labourers had fared better.

Once more the cry for help was raised by this depressed industry; alike in the Reichstag and the federal Legislatures there was constant talk of "threatened existences" and urgent appeal to the all-powerful State to complete the good work of relief and redemption which it began five years before. Prince Bismarck did not hesitate to respond to the call. Early in 1885 he introduced a Bill revising the tariff on both sides. The *exposé des motifs* which accompanied it claimed that the law of 1879 "has in general been attended by beneficial results for our economic life," and that the country's "economic development has been diverted from a false course into one which will enable energetic and discerning effort to compete successfully with other countries both in the home and foreign markets."

It was held, however, that "a natural development and improvement" of the tariff was necessary to the better attainment of the goal then chosen. Once again Prince Bismarck stepped into the arena and championed the cause of Protection against its critics, boldly claiming that, in spite of the necessity for severer duties, the existing tariff had worked well according to its limitations. Agriculture was, as before, his special concern.

"The fear has been expressed," he said on February 10th, 1885, "that the price of corn will in consequence of the higher duties increase very considerably, and that social dangers will thus arise. Well, you will remember that six years ago the same prophecies were made in this very hall, and in part by the men who have spoken to-day or who will yet speak. We were told that prices would reach such a height that they would curtail the labourer's earnings and food, and that we were inviting the social dangers which we desired to resist and remove. All these prophecies have proved false; not one of them has been fulfilled. The corn laws of that time have everywhere worked beneficently. Only in one direction have they proved ineffective where the reverse was perhaps expected, though not by me, for I thought otherwise: they have not had the effect of improving the prices of agricultural produce. On the contrary, corn is now cheaper than it has been for a long time, and in proportion to the present value of money cheaper than it has ever been this century. The effect then predicted has in no way been produced. Whether it will be produced when the duty is trebled I will not venture to say with certainty, though I hardly think it probable. It may, however, be the case, and if it is, well and good, for the farmer will benefit by an increase in prices; but if not, the duties will certainly be borne by foreign

countries, and why should not the Finance Minister of the German Empire accept the duties which America and Russia are willing to pay him? . . . In any case I should rejoice if the law led to an increase of prices, for the improvement of the position of the farmers would be far from injuring others.

"I hope that the price of corn may increase. I hold its increase to be necessary. There must be a limit when the State must try to raise the price of corn. Just you imagine the price of rye falling to 50 pfennige a hundredweight, or I will name the price which now and again really occurs in the inner Russian Governments, the price of one mark. Is it not quite clear that our agriculture would then be absolutely ruined—that it would not be able to exist any longer—and with it all the labourers and all the capitalists dependent upon it? Quite apart from the farmer—who is, of course, a *corpus vile* on which the town folk can experiment, though it must be remembered that the towns would no longer have buyers in the farmers—the labourers would be without employment and would stream to the towns. In short, it is undoubtedly a national calamity when the price of corn, the everyday means of subsistence, falls below the rate at which it can be cultivated with us. I will regard the maxim as admitted, that there is a limit below which the price of corn cannot fall without the ruin of our entire economic life. The question then is: Has this limit been reached or not? Minister Lucius has given us statistics which must compel us to admit that it has already been reached. But it should not be reached; for when it is reached it will be too late, and we shall already have suffered most enormous losses. . . . When rye with us falls to a price at which it cannot be cultivated, we are living in unsound conditions and are going to decay. This decay may be deferred by the use of the capital we may have laid up, but that we create an untenable situation is as clear as that two and two make four."

Bismarck was, as we have seen, quite correct in claiming that the price of corn had not increased, but it is fair to add that the duties deserved no thanks for this, since Germany still paid more for her grain than non-protected countries. The Bill increased the duties on timber and wood ware also, and on a number of industrial articles, chiefly laces and silks. It passed through its various stages without serious opposition, and was finally accepted on May 13th by a large majority (199 to 105), made up for the most part of the old comrades in arms, the Conservatives, Clericals and National Liberals. The important alterations in the tariff were the following, the duties being per ton :—

	Tariff. 1879.				1885.		
	£	s.	d.		£	s.	d.
Wheat		10	0	...	1	10	0
Rye		10	0	...	1	10	0
Oats		10	0	...		15	0
Buckwheat		10	0	...		10	0
Legumes		10	0	...		10	0
Barley		5	0	...		15	0
Rape and rapeseed ...		3	0	...	1	0	0
Maize		5	0	...		10	0
Malt		12	0	...	1	10	0
Ground grain	1	10	0	...	3	15	0
Timber (where altered)	1s. to 15s.			...	2s. to £3		
Laces	6	5	0	...	8	15	0
Silk knitted, and lace clothing goods ...	450	0	0	...	600	0	0
Ditto of half silk ...	225	0	0	...	338	15	0
Artificial flowers ...	150	0	0	...	400	0	0
Sewing cotton	18	0	0	...	35	0	0

Tariff.	1879. £ s. d.	1885. £ s. d.
Cocoa, chocolate, and surrogates	30 0 0	40 0 0
Mineral oils	3 0 0	5 0 0
Silk thread	50 10 0	100 0 0

The duties on live stock were increased as follows:—

	1879. £ s. d.	1885. £ s. d.
Horses ... ... each	10 0	1 0 0
Mules and donkeys „	10 0	10 0
Cattle ... ... „	4s. to 6s.	6s. to 9s.
Oxen ... ... „	1 0 0	1 10 0
Calves ... ... „	2 0	3 0
Pigs ... ... „	2 6	6 0
Sheep ... ... „	1 0	1 0
Lambs ... ... „	0 6	0 6
Goats ... ... „	free	free

The new tariff was thus essentially a sop to agriculture, and the higher duties given to industry were of the nature of an apology and a *solatium*. Indeed, it was not clear that industry desired them. The Hamburg *Börsen Halle* reported a curious incident:—

"On the second reading the Clerical Deputy Trimborn brought forward a proposal to increase the duties on silk and half-silk goods 'in the interest of the Crefeld industry,' which, however, telegraphed an emphatic protest, so that on a vote no one, not even the proposer himself, supported these increased duties. In spite of this, the Protectionist Economic Union on the day for taking the third reading again brought forward various proposals for increasing the duties, and this time they were carried without time for

proper discussion being allowed. The Employers' Association of Crefeld had in the meantime, through questions put to its members, proved that ninety manufacturers, who through the importance of their business represented the great bulk of the Crefeld silk industry, were opposed to the increase, while only twenty-five pronounced in its favour."

The only argument advanced in the Reichstag in support of higher duties was that fifty manufacturers were "understood" to desire more protection, while nearly twice the number actually petitioned against it.

Nor afterwards was industry by any means cordial in appreciating the Government's unsought attentions. The Chamber of Commerce of Leipzig, in their report for 1886, recalled with longing the restful era of Free Trade, when manufacturers and merchants, if unprotected, were at any rate free from disturbance and alarms. They uttered their

"regrets at the continual proposals for the modification of the customs tariff, which follow one another so rapidly that trade and industry have no longer that peace which is the first condition of a prosperous course of business relationships and of healthy economic development. . . . The degree to which the demands for protection against the natural development of things have gradually advanced is illustrated by a petition addressed to the Reichstag by the directors of the Pomeranian Agricultural Society asking, among other far-going claims, for an import duty of 100 marks per double cwt. of washed wool and one of from 60 to 80 marks on raw wool by means of a special emergency law in the interest of agriculture. . . . It is more than questionable

whether the petitioners themselves would, even if their demand were granted, be disposed to increase their production of wool to any great extent. That German agriculture, which now only supplies about one-tenth of the total consumption of German industry, could ever again be able to produce the whole both in quantity and quality is inconceivable. A large part of German industry has been built upon the imports of foreign wool, and just as it buys most of its raw material abroad, so it sends abroad a large part of its products. Even the small cloth-making industry, which was formerly the principal customer of the German wool producers, is compelled to buy certain kinds of wool abroad. That the development of the German woollen industry has taken place at the expense of German sheep breeding is an entirely untenable assertion. The German farmers no longer find it to their interest to produce the kinds of wool which the prevailing factories require. So far as they carry on sheep breeding at all, they attach most importance to the production of meat, as being more remunerative."

Other Chambers of Commerce received the Government's proposals more sympathetically, but the foregoing episode is a fair illustration of the difficulty which was experienced in conciliating conflicting interests.

On the other hand, agriculture, which did desire more Protection, was doomed again to disappointment, for the higher duties were no more successful than the lower in arresting the fall of prices, which continued during the following two years, and reached their lowest point in Germany in 1887, in Austria and Hungary and Holland in 1888, and in England, Denmark and Russia in 1889. According

to the returns of the Prussian Statistical Office, the following were the average prices for the whole of the monarchy per ton :—

	Wheat.	Rye.	Barley.	Oats.	Potatoes.	Hay.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1871-75 ..	11 5 0	8 19 0	8 11 0	8 3 0	3 0 0	3 12 0
1881	11 0 0	10 2 0	8 6 0	7 19 0	2 17 0	3 14 0
1882	10 8 0	8 1 0	7 14 0	7 4 0	2 9 0	3 9 0
1883	9 5 0	7 7 0	7 6 0	6 17 0	3 1 0	3 4 0
1884	8 13 0	7 7 0	7 9 0	7 4 0	2 9 0	3 1 0
1885	8 2 0	7 3 0	7 3 0	7 3 0	2 6 0	2 14 0
1886	7 17 0	6 14 0	6 15 0	6 13 0	2 1 0	3 0 0
1887	8 4 0	6 5 0	6 8 0	5 13 0	2 6 0	3 0 0
1888	8 14 0	6 15 0	6 15 0	6 10 0	2 12 0	3 8 0
1889	9 3 0	7 16 0	7 11 0	7 11 0	2 12 0	3 6 0

Only in 1891 did a decided check set in.

The late Professor Albert Schäffle, writing in 1892, thus described the operation of Protection up to that date :—

"The quite extraordinary increase in land values from the middle of the 'fifties to the middle of the 'seventies greatly increased the prices of commodities and leasehold rents as well. When later a strong decline of the net return set in, it was not easy to fall in with the new condition of things. There lived and lives an entire generation of landowners who invested their capital in the land in the expectation of higher net returns and have mortgaged themselves in so doing. There were also a great many lessees whose eighteen-years' contracts ran on far into the lean years. The population had grown in the earlier favourable times ; a generation, increased in the meantime, is building up families now, indeed, when longer crises and even a condition of need are setting in, and it continually overpays both in land purchase and in rent. Large numbers have fallen into debt more or less in the mere purchase of their land, and the working funds which should have facilitated the transition to a more intensive culture and the necessary investments of capital are now

wanting. Nay, these funds are becoming less and less as reduced profits, and even deficits, have to be faced year after year, since losses and interest have consumed the capital itself. Hence the advice that they should immediately adapt themselves to the new conditions is in the case of many people rather superfluous. Those who are already up to the neck in water prefer to clutch greedily at the rope of monetary palliatives if such are offered."[1]

Two years passed, and once more the agricultural party reminded the Government of their obligation, and 1887 saw a further increase of the corn and live stock duties. The duty upon wheat and rye was raised from £1 10*s.* to £2 10*s.* per ton, a rate then equalled by no other European country. The duty in Spain was £2 2*s.* 6*d.* for wheat and £1 10*s.* 10*d.* for rye, in France it was £2 and 8*s.* 4*d.* respectively; in Austria-Hungary it was £1 17*s.* 6*d.* for both; while in Russia, Roumania, Belgium and Holland, as in England, corn remained free. The duty on oats was increased from 15*s.* to £2 per ton, and that on buckwheat and legumes from 10*s.* to £1.

Side by side with the protection given by the tariff the revision of the railway tariff was demanded at this time, so that the administrations of the important State lines might no longer neutralise the economic policy of the Government to the prejudice of agriculture. Soon another form of protection was sought and obtained in the form of

[1] "Zur wissenschaftlichen Orientierung über die neueste Handelspolitik," in *Tübinger Zeitschrift*, 1892.

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1881	11 0 0	10 2 0	8 6 0	7 19 0	2 17 0	3 14 0
1882	10 8 0	8 1 0	7 14 0	7 4 0	2 9 0	3 9 0
1883	9 5 0	7 7 0	7 6 0	6 17 0	3 1 0	3 4 0
1884	8 13 0	7 7 0	7 9 0	7 4 0	2 9 0	3 1 0
1885	8 2 0	7 3 0	7 3 0	7 3 0	2 6 0	2 14 0
1886	7 17 0	6 14 0	6 15 0	6 13 0	2 1 0	3 0 0
1887	8 4 0	6 5 0	6 8 0	5 13 0	2 6 0	3 0 0
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veterinary measures aiming at the exclusion of foreign live stock, and with these the agrarians may be said to have avowed the egoism of their endeavours and to have reduced fiscal policy to a calculated system of direct State relief. And the result for the consumer? Conrad has estimated that from 1851 to 1870 the price of wheat was £2 2s. less per ton in Prussia than in England; from 1871 to 1880 the difference had sunk to 3s.; then from 1881 to 1885 the price in Prussia was 9s. higher, from 1886 to 1889 it was £1 12s. higher, and in 1890 it was £2 4s. higher. In some parts of Germany the difference in 1889 was as much as £2 18s., and in 1890 £3 6s. Again, while in the later 'eighties the price of wheat in Prussia, Bavaria and Baden fell 12 per cent. as compared with 1879 to 1883, it fell in England 32 per cent., in Denmark 34, in Odessa 31, and in Pesth 29 per cent. So with oats, while the price before 1879 was more in England than in Prussia, it was equal in 1888; then in 1889 it was 13s. dearer in Prussia, and in 1890 it was £1 dearer. According to Matlekovits, the price of wheat increased in Germany with a duty of 10s. per ton (1879) 7s.; with one of £1 10s. (1885) £1; and with one of £2 10s. (1887) £2, as compared with Free Trade countries generally.

If the agriculturist, however, had to lament low prices, so also had the industrialist, and they continued to decline from 1880 almost throughout the whole of the decade. According to Soetbeer

(Conrad's "Jahrbücher," 1890), the prices of commodities from 1882 to 1889 compared as follows with those of 1881, the latter being taken as 100 :—

	Imports.	Exports.	In general.
1881 ...	Index 100	... Index 100	... Index 100
1882 ...	99·8	... 100·7	... 100·3
1883 ...	98·2	... 98·5	... 98·4
1884 ...	93·3	... 92·8	... 93·1
1885 ...	85·8	... 85·8	... 85·8
1886 ...	85·4	... 83·8	... 84·6
1887 ...	85·5	... 83·5	... 84·5
1888 ...	85·4	... 84·7	... 85·0
1889 ...	88·6	... 87·2	... 87·9

The wages of the working classes, meantime, slightly increased, though less because of the "protection of national labour" than because of the higher cost of living, and even so the concessions made were rarely volunteered; they were won by coalition and by strike. Moreover, dearer food, rising rents, and heavier taxation combined to nullify the advantage of freer earnings, and the actual condition of labour was no better. In 1891 and 1892 the cost of living was higher in Germany than ever since Protection was re-introduced.

CHAPTER VII.

THE COMMERCIAL TREATY ERA.

"A CERTAIN weariness of the universal rivalry in national trade exclusiveness has now, after twelve years, set in, and that not only in trade, but even in industry, which more and more recognises that the modern protective system cuts both ways, and also amongst the Governments who struggle for commercial-political 'stability' and would like to lower the barriers somewhat." So wrote in 1892 the late Professor Albert Schäffle, a political economist who was detached from all hide-bound theories of Free Trade and who never hesitated to defend protective measures as an educational expedient and as a means of staving off economic crises. It was a view of the position which had forced itself upon most thoughtful and disinterested observers, and not least upon the head of the Imperial Government himself—at that time Count von Caprivi. True, Germany had not gone so far in Protection as some other countries, save in her corn duties, for here only America and France equalled her. Taking European countries only, France could claim to be the most protected of all, then came Austria, then Italy, and Germany made a good fourth. Still, for her own interests

Germany had gone too far, and she had come to know it. The fruit of this knowledge was the series of commercial treaties which fell to the years 1892–94, and which lasted until the end of 1903.

Various moments combined to bring about a reaction against the exaggerated system of Protection which had been built up in the course of twelve years. On the agricultural side it was attacked by those potent influences to which sectional legislation has again and again had to succumb—popular discontent and hostility. The year 1891 saw Germany exposed to a condition of scarcity. The harvest had failed ; the price of corn rose to an alarming height ; hunger stalked through the streets gaunt and menacing. In Prussia the price of wheat between 1886 and 1890 averaged £8 15*s.* per ton ; in 1891 it rose to £10 18*s.* Similarly the price of rye increased from £7 3*s.* during the preceding five years to £10 4*s.* In Berlin the prices of these cereals rose to £11 4*s.* and £10 11*s.* respectively.

"How will the introduction of a corn duty benefit the peasant class?" asked an economic writer before the tariff of 1879 came into operation. "This duty has existed until twenty years ago, and when it was abolished no one shed a tear, and least of all the peasants. But even the great landowners should bear in mind that the corn duty was suspended at least in all years in which scarcity threatened, because the home harvest proved insufficient to feed our people, and that is the rule, for we cannot live without corn imports."[1]

[1] Karl Braun, "Der Staat und die Volkswirthschaft," 1879.

Once more history repeated itself. The corn duties were suspended in the presence of an imminent famine, and so impressed were they by the anomaly of their position that the very leaders of the agrarian party in the Reichstag voted for the reversal of their own policy. It was the low corn prices of 1878 that made protective duties possible; the high prices of 1891 made them for the time being impossible. Nevertheless, the crisis did not pass over without violence. Not since the memorable "March days" of 1848 had Berlin been the scene of such alarming popular demonstrations and riots as took place there in the closing days of February, 1902. Hunger and want of work were the main causes of the outbreaks, and for several days a veritable reign of terror prevailed in certain quarters of the city. Some of the streets fell into the hands of the mob; shops and houses were looted; property was destroyed wholesale; obnoxious persons were victimised; the police were set at defiance; and the wildest elements in the population for a time had things their own way.

On the industrial side also the tariff had proved no less vulnerable, no less irksome, no less impracticable. "The system of a general State guarantee, by means of customs duties, of industrial interest and agricultural rent," wrote Schäffle in 1892, "has not succeeded, but has disappointed almost all the expectations based upon it." Germany's foreign trade had greatly increased—her imports between 1881 and 1890 advancing from 14,800,000

tons, of value £114,500,000, to 28,100,000 tons, of value £213,600,000, and her exports from 16,600,000 tons, of value £152,000,000, to 19,300,000 tons, of value £170,450,000—but it was impossible to attribute this increase to Protection. "So far as the effect of the increased industrial duties in their protective aspect goes," said the same writer, "while they have not prevented the growth of imports, they have had but the slightest demonstrable influence on the increase of exports. Even without these duties it is doubtful whether the movements of imports and exports would have taken a different form." Examining the course of trade in various staple industries during the 'eighties, Schäffle came to the following conclusions. We have seen that it was the assumed needs of two great industries, the iron and textile industries, which gave to the protective movement its strongest impetus. After ten years of a severe tariff it was found that imports and exports equally had increased in some branches of these industries and had decreased in others. The imports of pig-iron in 1881 were 244,601 tons, and though they fell 157,162 tons in 1889 it was to rise again to 385,328 tons in 1889. The imports of malleable bar-iron increased from 14,198 to 28,942 tons. For a time the imports of iron wire and iron goods generally fell, but by 1890 they had exceeded the amount of 1881 to the extent of 100, 150, 200, and (in the case of fine wire) 400 per cent. The exports of angle iron, railway rails, sleepers, and

plates, and both rough and fine iron goods, increased, though not equally. The value of the exports of iron wire fell from £2,200,000 in 1881 to £900,000 in 1890. Schäffle claims that neither the import nor the export movement in this industry can be called in evidence in support of Protection. "It is notorious that the iron rings and rail cartels, which were favoured by the protective system, compelled even the railway administrations at times to purchase abroad."

The same story was told by the textile trade. The imports of cotton yarn increased from 16,475 tons in 1881 to 18,808 tons in 1890, though in some intervening years they were still more, while the exports fell from 18,371 tons to 7,180 tons, and at times even lower. The imports of cotton goods increased from 1,392 tons to 1,462 tons, with fluctuations in the interval, and the exports of heavy goods increased from 14,460 tons to 15,458 tons. "This movement in the cotton yarn and cotton goods trade would perhaps have been the same even without the revision of the tariff in 1879. In any case it has not promoted any special development of the trade, while on the contrary it has, by inviting tariff retaliation, more and more led to decreased exports, and by inducing over-production has caused crises in the home market." The imports of woollen yarn and woollen goods increased slightly between 1882 and 1890, the exports very largely. "Here the protective duties were of

some effect, though in the end it was greatly neutralised by foreign retaliation." Of linen yarn and linen goods there was an increased import until 1885, when the duties were increased, and after then a decline. The exports of the same increased considerably in quantity, but little in value. Finally, the imports of the silk trade increased but little, while the exports fell off slightly.

Schäffle adds by way of summary:—

"The position of these two great branches of industry showed unquestionably in 1890 a greater export capacity. The imports of finished iron manufactures of all kinds had a value of 18·4 million marks, and the exports one of 158·7 millions. The imports of textiles of all kinds had a value of only 46·4 million marks, and the exports one of 425·2 millions; the imports of hosiery had a value of 1·7 million marks, and the exports one of 106·7 millions; the imports of dress goods, finished personal linen, and millinery a value of 5·2 million marks, and the exports one of 121·3 millions. It would, however, be very presumptuous to ascribe this to Protection. At the end of the fifteen years' epoch of Free Trade the exports of iron manufactured and half-manufactured goods and of finished textile goods increased likewise far beyond the imports."

Coming to smaller industries, the imports of glass largely increased in quantity and for the most part in value as well, while the exports increased to a greater degree both as to quantity and value. The same thing happened in the case of musical instruments, also of rubber goods, "but certainly not in consequence of the protective

system." The imports of cork goods largely increased, the exports were stationary. The exports of leather and leather goods decreased, but the contrary was the case with paper and paper goods. The imports of porcelain increased more than the exports, while both the imports and exports of earthenware increased. The imports of watches increased four-fold in value, while the exports of clocks largely increased. On the whole, Schäffle concludes, the imports increased in hardly less degree than the exports, and towards the end of the first decade of Protection there was a falling off in many classes of exports due to the retaliation of foreign countries.

The effect of Protection upon agriculture so far had been a negative one, for the price of corn had greatly decreased, while the corn grower had no greater monopoly of the home market than before. The imports of wheat increased from 1881 to 1900 from 391,949 to 672,587 tons, and the exports fell from 53,338 to 206 tons, with fluctuations in the intervening years. The imports of rye increased from 575,454 to 879,903 tons, and the exports fell from 11,564 to 119 tons. The imports of oats were fairly stationary, and the exports sank from 31,591 to 451 tons. Before duties were re-introduced, in 1875, 473,500 tons more wheat and rye were imported than were exported; in 1881 (the first annual year after the duties came into force) the excess was 957,858 tons; in 1889 it was 1,574,247 tons. As to other branches of

agriculture, the prices of live stock and of meat increased all round during the 'eighties, and that not only absolutely, but relatively to other countries which were either without Protection or did not increase their duties during that decade after Germany's example.

Schäffle's general conclusion was as follows :—

"That Germany's national production has been prejudiced under this system cannot be concluded from the available figures; it has in nearly all branches been developed. Whether, however, in spite of or because of protective duties is a point upon which whole columns of controversy might be written. So far as positive proofs are possible in *special cases* it cannot be denied that the protective system is able successfully to promote trade and production. . . . On the other hand, we are as opposed now as before to the restrictive application of Protection in the sense of early theory and practice, that is, beyond actually demonstrable needs, and a very different conclusion must be drawn when we consider the effect of the *general protection* of all branches of national production and trade, amounting to a universal State guarantee of industrial interest and agricultural rent, which has been claimed since 1879. The best that can be said is that our foreign trade, including that in manufactures, has neither in import nor export stood still, but this fact must not as a matter of course, if at all, be claimed to the credit of the system of high Protection. The transit trade and the commission trade in corn, timber, and colonial goods have unquestionably, and in part irremediably, suffered, and with them the railway returns. Industry has on the whole prospered in a gratifying measure, but so it did during the fourteen years of Free Trade prior to 1879. Isolated textile duties, particularly those in the interest of the fine cotton and linen

spinning industry, have proved a fiasco. The aim of supplying our own needs in corn and timber at home has as little been attained as the stability in prices and rents which was expected from the protective system and indeed predicted of it. Agriculture is more in debt than ever under this system. The imports of cattle have largely declined, but so also have the exports, in part perhaps to the advantage of more intensive cattle breeding and meat farming, but in part with certainty to the injury of agriculture itself."

If it be objected that these statements refer to a past decade, and deal with matters of ancient history, the answer is that they have been recalled because of their direct bearing upon the commercial treaty policy inaugurated by Count von Caprivi. The true verdict upon the tariffs of 1879, 1885, and 1887 is contained in the simple fact that the welfare of German industry required in 1892 that the protective barriers should be lowered. However trade had developed at home, the effect of Protection abroad had been to bring about the old condition of "war of all against all." Directly one country revised its duties its neighbours retaliated. Russia and America had virtually closed their doors altogether to the outside world, the latter by the McKinley Tariff of October 6th, 1890, and Russia by her tariff of July, 1901. In England also the growth of the Colonial federation movement gave rise in German minds to the apprehension that one of the most promising of markets might soon be placed under embargo. The uncertainty of international trade,

the perpetual unrest, and the indefinite fears as to the future conspired to make the German commercial world not merely ready but willing to bargain with any country which was prepared to meet concession by concession. It was found, in fact, that tariff warfare was the least practical of all methods of promoting the essentially pacific pursuit of trade.

Speaking in the Reichstag on December 10th, 1901, the Chancellor said :—"In this everything that has been written on industry agrees, from the scientific text book to the reports of the Chambers of Commerce, that the first requirement of every industry is stability, that it may know what are the conditions with which it has to deal." It is the great merit of Count von Caprivi to have recognised the weakness of the fiscal system which he had inherited and to have had the courage to modify it according to the altered conditions and needs of his day. Germany had had commercial treaties for a generation, but the treaties of the Caprivi *régime* marked a novel departure from past custom. The old treaties were based on fixed, invariable, autonomous tariffs, and most of them included the "most-favoured-nation" clause; the new ones, while containing this clause, were based on "conventional" tariffs, each with certain limitations created *ad hoc* as the result of special bargaining with the State affected. Germany had hitherto received on the whole better terms than she had given. For

example, Roumania and Servia did not even enjoy most-favoured treatment. Again, Italy had in 1883 conceded to Germany the reduced rates already given by treaty to Austria and France without receiving much in return. The Spanish treaty of July 12th, 1883, and the Greek treaty of July 4th, 1884, were also in Germany's favour. In his treaty-making the "honest broker" had exacted a rather high commission, and many of the patrons who remained on his successor's books were dissatisfied with the terms.

In 1891 most of the existing treaties, which included nearly all European States, would expire, and some of these States—Russia, Italy, Switzerland, and Spain—in anticipation of the necessity of concluding new ones, had already notified their intention to increase their tariffs. It was either a case of renewed retaliation or reciprocity, and Caprivi chose reciprocity. In December, 1891, the Chancellor laid before the Reichstag a series of treaties, with Austria-Hungary, Italy, Switzerland, and Belgium, intended to come into force on February 1st, 1892, and to last until December 31st, 1903, and thereafter from year to year unless either of the contracting States notified its desire to withdraw twelve months beforehand. They all introduced the most-favoured-nation clause, and by special tariffs fixed the duties on both sides for the entire period of twelve years. In every case there was mutual concession, even to the extent of admitting some articles free of duty.

In their *exposé des motifs*, published on December 7th, the Government enforced the necessity for stability and security of foreign trade, which they admitted to be impossible under existing conditions, and urged the Reichstag to accept these four treaties in the belief that they would ensure more harmonious commercial relationships with an immense market specially interesting, owing to the geographical circumstances, to German enterprise. Reviewing the events which had led to the adoption of the reciprocity treaty policy, the Government said:—

"The commercial and customs policy of Europe has in the last decade been regulated by a far-reaching system of tariff conventions, of which the treaties of France with Belgium, Portugal, and Norway were the starting point. Italy, Austria, and other nations some time later joined the movement and entered into treaties by which the customs tariffs were laid down for a number of years. Germany, however, had taken but little part in the movement. Special treaties by which mutual customs concessions were made were only concluded with Italy, Greece, Spain, and Switzerland. *Vis-à-vis* the other nations Germany had contented herself with obtaining and granting the general concession of the most-favoured-nation clause and entering into an arrangement with Servia and Roumania regarding the duties on certain specified articles. By the 11th Article of the Treaty of Frankfurt Germany and France agreed on commercial relations to place each other on the same footing as Great Britain, Belgium, the Netherlands, Switzerland, Austria, and Russia. It will thus be seen that, while Germany preserved a free hand in fixing her own customs duties, she enjoyed, in consequence of the most-favoured-nation clause,

the full advantages of the European conventional tariffs.

"In France, however, where the development of the economic condition of affairs has given rise to great discontent, a strong Protectionist tendency has in the last few years gained the upper hand. It could, therefore, hardly be doubted that the French commercial treaty would not extend beyond February 1st, 1892. This danger exercised more or less an influence on the other treaty-bound nations of Europe, and their desire to protect their home production became more and more clearly apparent.

"The nearer the critical point—the expiration of the existing European treaties—approached, and the more certain it became that the advantages of autonomy in its own tariffs, coupled with participation in the treaty concessions of other States, hitherto enjoyed by Germany, would at that time come to an end, the more the necessity of taking a decision in regard to its future action was imposed upon the German Government. Germany had to decide whether she would follow the example of other States in their Protective tariffs and on her side close the market to foreign goods, thereby considerably contributing to increase the Protectionist movement, or whether she should intervene in time to hinder its further development, and to obtain a decisive influence over the coming reorganisation of the European customs tariffs in the sense of international arrangement. The decision could only be in favour of the latter course."

And of the advantages of the new departure the Government said:—

"These treaties, in their negotiation and in their end, form an inseparable whole, and in the deliberations on the concessions made by Germany and the advantages given in exchange therefor, must be regarded as a unity. In the conclusion of these treaties, the object of the Government has been,

while reserving to Germany the benefit of the necessary protection for national industries, to keep open as far as possible foreign markets for her commerce. The concessions which Germany has had to make are, when regarded as a whole, not inconsiderable. The Federated Governments are, however, completely aware of their commercial and financial importance, and have in the negotiations striven successfully to limit them as much as possible. The concluding of the treaties for a term of twelve years will bring about the stability in the customs duties earnestly desired by the business world, and the Government entertain the conviction that they will not only do away with the former dangerous fluctuations in the commercial relations of the Empire, but also tend to increase the volume of its trade and commerce."

Having in an earlier chapter followed in detail the arguments by which Prince Bismarck justified his adoption of a policy of high Protection, it is interesting to compare those advanced by his successor in office in defence of a fundamental departure from that policy. And first, argued Caprivi, Protection, in the form of fixed autonomous tariffs (1879, 1885, and 1887), had proved a double-edged weapon, for directly Germany had erected higher barriers her neighbours did the same:—

"As soon as other States began to make attempts to obtain the same advantages, the wished-for benefits were rapidly turned into disadvantages. These fixed autonomous tariffs helped to favour home industries at a time when technical skill was undergoing great development, but Germany was restricted to her own markets, which became replete with over-production. Industry, therefore, soon began to suffer for want of

outlets for its goods. Most States began to acquire the advantages of the most-favoured-nation clause, and France and Germany profited in this respect by the article of the treaty of Frankfurt, until Germany at last began to feel the unfavourable side of the arrangement. The most-favoured-nation clause gradually became a cause of general detriment and injury. France then decided upon a maximum and minimum tariff, by which she still profits. Germany feels limited and restricted in her output on foreign markets. The continual increase of imports is a calamity which, in the circumstances, seriously affects German industries, and not only the masters, but also the workmen. The difficulty had to be dealt with. It is not a question of Free Trade or Protection. These are dogmas and the battle cry of parties, which do not apply to the situation. It is not a question of equalising, balancing, and reconciling opposing interests. It was necessary by means of customs treaties to extend Germany's markets abroad for her exports. This has always been the main object in view throughout the policy of the last twelve years, although obscured by the dispute between the doctrines of Free Trade and Protection. If Germany had continued to favour the policy of the closing up of States against one another it would soon have come to a general conflict. States can shut themselves up one against another, but they will not satisfy themselves in this way, and are naturally called upon to offer a fair exchange of their products with mutual concessions."

After declaring that it was his principle to concede nothing without obtaining a full equivalent, he referred to the agricultural aspect of the treaty question :—

"The situation of German agriculture is at present a most unfavourable one. The corn laws were necessary for its protection, and they are still indis-

pensable. On the other hand, it is certain that in general they have not had the effect expected from them. It is, nevertheless, certain that their existence prevents an agricultural crisis, of which it would be impossible to overrate the evil consequences. A parallel with English conditions is not possible. There it is a question of agricultural magnates, but in Germany a landed proprietor means someone who, with difficulty, extracts an existence from the soil. The chief reason, however, for the necessity for the maintenance of agriculture is exclusively a question of State. I am convinced that such a cultivation of grain is indispensable to us as will, in case of need, suffice to feed even our increasing population in time of war, and that the State which cannot exist from its own agricultural produce is on the downward path. There may, it is true, sometimes be a bad harvest, but in order to provide against such a contingency, especially in war time, we can take the precaution of allying ourselves with grain-growing States on whom we can count even in time of war. I have heard it said that this is an exaggerated view, and that in case of a war with France and Russia we could obtain corn by sea. I would not like to base the existence of the State on such factors. We cannot know what the maritime Powers would, in case of a European conflagration, term contraband of war. In my past life as a soldier I acquired the unshakable conviction that in the future war the feeding of the army and the nation would be the deciding factor. This deciding factor is affected if agriculture is injuriously affected. But agriculture is able to bear a reduction of the grain duties and yet to prosper. These duties are a heavy burden for the State, as they entail a rise of prices in the necessities of life. The raising of these duties to five marks (per double cwt.) strained the bow too much. Their existence thereby became a danger to the State, as they formed a reason for popular agitation. The Government, therefore, decided to reduce them."

Coming, then, to the interests of industry, he said :—

"The Government have not neglected the claims of German industries, but have in the new tariff done everything to aid their development. To assure the maintenance and prosperity of the working classes markets must be found. The movement of the working population from east to west, from the country to the town, proves that well-paid work is an equivalent for the increased cost of living. Well-paid work will be found if the treaties are accepted. Germany must either export wares or men. With the increasing population a corresponding increase of national industry is a necessity. . . . When we hear such things as were said at Erfurt [referring to the Social Democratic Congress], one is involuntarily inclined to regard the people there assembled with a certain amount of dislike. We must not, nevertheless, be blind to the value for Germany of a strong labouring class. We must accustom ourselves to regard the workman less pessimistically, and must not abandon the hope of winning him back to us. Herr Stöcker has said in this Assembly that we must not only advance towards the workman, but meet him half way. To do this is the object of these treaties. We still take our stand on the basis of the Imperial Message of 1881, in which it was declared that the reparation of social detriment was not to be effected solely by means of repressive measures, but also by increasing the well-being of the working classes. We consider that in these treaties we have been animated by an equal interest in the well-being of both workmen and employers."

Speaking, finally, of the political significance of the treaties, he said :—

"With regard to the political side of the treaties, in the case of Belgium and Switzerland we have

simply been actuated by an earnest desire to live on friendly and neighbourly terms with those countries. It is otherwise, however, with the Triple Alliance. This has been concluded for the preservation of peace, and without the least aggressive aim. But when we conclude such an alliance of peace, we cannot carry on a commercial war with our allies. It is our interest to strengthen our allies, so that if, in spite of all our efforts, the peace of Europe should be broken, they may be powerful and able to bear the necessary armaments. We must, therefore, desire that a State with whom we stand in friendly relations should not be permanently in an unfavourable position. The Governments of these States have mutually taken pains to find a means of effecting an exchange of products. We desire that these treaties should make a deep impression on the population. At the time of Frederick the Great Princes decided questions of peace and war. Even under Frederick the Great, it was more the policy of that great man that carried away the people than the feeling that Prussia was in danger. The secession of a province excited at that time no emotion. The people lived under the new Prince as under their former master. This state of things is a matter of the past. Since the end of last century wars have been wars of nations, and nowadays nations must aid their rulers, not only with the hand, but also with the heart. War must be a consequence of national feeling. This is the ruling spirit of these treaties. Formerly treaties of Cabinets were negotiated Prince with Prince. To-day the principles of these treaties must be incorporated with the soul of the nation. This, let me hope, will be the result and the action of the commercial treaties in question."[1]

As a complement to this may fitly be added

[1] Speech of December 10th, 1891, reported as above in *The Times* of the following day.

the estimate which Prince Bismarck, then living in restless retirement, passed upon the treaties:—

"The ex-Chancellor said that more than thirty industries were affected by the reduction of the tariff. If these treaties were properly examined it would be seen that not only Austria and Italy had had concessions made to them, but also England, France, and America. . . . And who prepared the treaties? Privy Councillors and officials who are exclusively consumers, and of whom may be repeated the words of the Bible—'They sow not, neither do they reap.' Those who do not feel the shoe pinch are the gentlemen who have been entrusted with the preparation of these treaties. The bureaucracy of Germany is a national calamity. I would never have had the courage thus to take a leap in the dark which is to produce results for the next twelve years. The hardships of the new treaties will first make themselves apparent after they have been put in force, and then it will be too late to alter them. Everything has till now been prepared in secret. It has been said that under the former *régime* the same tactics of secrecy were observed, but this is a fiction. In 1878 we began to discuss the tariff question in public; we observed what the English call 'fair play,' and the French *cartes sur table*. This time, however, secrecy has been observed throughout, and now the Reichstag is called upon to dispose of the whole matter in a few days."[1]

During the discussions in the Reichstag the treaties received from the Protectionist parties much more opposition than fell to them when the time came for a definitive vote, while the popular parties of all shades welcomed them enthusiastically

[1] A speech at Friedrichsruh, reported in *The Times* of December 15th, 1891.

as an instalment of Free Trade. Nevertheless, there was the inevitable conflict of interests, agriculture pitting itself against industry, and *vice versâ*; varied now and then by recrimination and protest where suspicion arose that raw materials were being favoured at the expense of manufactured goods or manufactured goods at the expense of raw materials. It was not without reason that the Government had, in their own words, "declined to consult the various industries concerned, believing that in not obtaining the advice of interested parties they would be less biassed than they might otherwise have been." It is significant of the prevalent state of political feeling and of the tension which tariff warfare had produced that the first of these reciprocity treaties, that with Austria, was approved in the Reichstag on December 18th by a majority of 243 against 48, and that 28 members of the Conservative party voted for it. The treaties with Italy and Belgium were then accepted in the same sitting without opposition. It was the great triumph of Caprivi's Ministerial career, and industrial and commercial Germany was not slow or ungrudging in awarding him the thanks and admiration which his achievement deserved. The Emperor's recognition of this successful inauguration of the "new course" took the form of a title, and the soldier statesman became henceforth a Count. The words in which, on December 18th, the Sovereign signified the bestowal of this dignity did not exaggerate

the merits of one of the most faithful, most conscientious, and most straightforward Ministers who has ever served the Empire:—

"That simple, homely Prussian General has in two years succeeded in making himself conversant with, and in mastering, problems of extreme difficulty, with a rare political insight. He has, at the right moment, saved the Fatherland from evil consequences. I believe that the achievement represented by the introduction and conclusion of the treaties of commerce will prove for posterity one of the most important historical events, and is literally an act of vital moment. I am convinced that not only our Fatherland, but millions of the subjects of other countries, which are united to us in the great Customs League, will sooner or later bless this day."

In dealing with Austria-Hungary, Germany reduced her corn duties, that on wheat and rye from 50*s.* to 35*s.* per ton, that on oats from 40*s.* to 28*s.*, that on barley from 22*s.* 6*d.* to 20*s.*, on maize from 20*s.* to 16*s.*, on malt from 40*s.* to 36*s.*, and on flour from 105*s.* to 76*s.* The duties on dead meat were likewise reduced—from 10*s.* to 8*s.* 6*d.* and 7*s.* 6*d.* per cwt.; those on horses from 20*s.* to 10*s.* each, on oxen from 30*s.* to 25*s.* each, on cattle from 6*s.* to 5*s.* each, pigs 6*s.* to 5*s.* each; those on figs, currants and raisins from 12*s.* to 4*s.* per cwt.; those on fresh oranges and lemons from 6*s.* to 2*s.* A number of industrial duties were also reduced—for example, those on iron, cotton, linen, glass, leather goods, watches, paper, oil, porcelain, earthenware and stoneware, and roofing slates. Austria, on the other hand, reduced many of

her duties on articles important for the German export trade.

The Swiss treaty conceded to Germany reductions averaging 35 per cent. on 293 out of a total of 476 articles scheduled, though many of them were already covered by the most-favoured-nation clause.

Treaties were concluded in the autumn of 1893 with Roumania and Servia, and one was concluded with the Government of Spain, but it was not ratified by the Spanish Cortes, whose pride had not forgotten the Caroline Islands episode. The consequence was that Germany put the legislative tariff in operation with full duties. Spain did the same, whereupon Germany, not to be outdone, added 50 per cent. to many duties on June 30th, 1895, though these increases were abolished on July 25th, 1896. A most-favoured-nation treaty was not concluded with Portugal, which was not particular about commercial complications, and here the tariff of 1887 continued.

Matters were not so easily arranged with Russia, for before the treaty with that country had been arranged there was waged a tariff war marked by great tenacity and obstinacy, a war in which neither side conquered, yet in which both were vanquished. Before the negotiations had got far, and during an adjournment of the plenipotentiaries, the Russian Government suddenly introduced a new tariff imposing at once upon German manufactures imported into Russia duties higher by

15, 20, and even 30 per cent. than hitherto. Berlin answered St. Petersburg by putting 50 per cent. on Russian produce from August 1st, 1893.[1] Industry and agriculture were embarrassed in both countries while the contention lasted, which was until the very conclusion of a treaty on March 22nd, 1894. By this treaty Russia secured a number of modifications of the old duties of 1887, and Germany was conceded the full advantage of the tariff reductions made in favour of France the year before, including those on iron and steel manufactures, worked cast-iron, wire, chemicals, pianos, paper, bottled wine and champagne, agricultural machinery, and woollen goods woven with carded yarn. In addition to these concessions shared with France, Germany also received reductions on steel, coal, woollen goods, and leather goods. The beneficial effects of this treaty were soon seen. In 1894 the value of the goods imported by Russia from European countries was 92,000,000 roubles more than in 1893, and of this increase 45 per cent. fell to Germany, which for the first time took the position hitherto held by England as Russia's largest provider.

Meantime, a more distant country, which had

[1] All such emergencies are now effectively covered by a law of May 18th, 1895, which gives the Government power to impose a higher duty up to 100 per cent. beyond the existing tariff, or, in case of duty-free imports, a duty up to 20 per cent. *ad valorem*, where countries do not give to Germany the most-favoured-nation treatment.

entered the path of development with singular success, was causing increasing anxiety both to the German agriculturist and the manufacturer. It was Argentina, which, not satisfied with having become a serious rival in corn and cattle, had erected almost insuperable barriers against industrial imports, less for the purpose of protecting native enterprise than of compelling the foreigner to keep her in revenue. The last revision of Argentina's tariff dealt a heavy blow at German cotton goods, cloth, paper, wire nails, starch, spirit, malt, and—most audacious cut of all—beer. On December 7th, 1894, a section of the National Liberal party brought forward a resolution in the Reichstag calling on the Government summarily to denounce the most-favoured-nation treaty with this troublesome country. The proposal was discussed on March 13th and 14th, 1895, and was referred to a committee by the votes of the Conservative, Catholic, and Polish parties, and the authors of the resolution. The result of the following inquiry was a recommendation, on May 24th, that the Government should denounce not only the treaty with Argentina but all other treaties which were unfavourable to Germany. The committee also urged that measures should be taken to draw together Continental countries in a Customs Union. To the latter suggestion the Secretary of State for Foreign Affairs gave an unsympathetic reception, telling the committee point-blank that they did

5,931,459 dollars in 1896, and 6,493,368 dollars in 1897, her imports in 1898 were 5,584,014 dollars, in 1899, 7,393,456 dollars, in 1900, 8,383,498 dollars, and in 1901, 7,021,405 dollars.

In Germany there is no difference of opinion whatever as to the immense value of the commercial treaties of the Caprivi *régime*. By general consent the remarkable expansion of industrial production at home and trade abroad is attributed largely to the policy of freer exchange which was introduced between 1892 and 1894. Herr Eugen Richter, voicing the Liberal view of the question, says :—

"The commercial treaties have not by far regained for Germany the measure of Free Trade which had been exhibited by the earlier commercial treaties up to the commencement of the Protective era in 1879. Their principal significance lies in the reversal of the customs policy of the latter year which they imply, and in the practical recognition that nations have a reciprocal interest in facilitating commercial dealings, instead of isolating themselves, as by a sort of Chinese wall, by the erection of the highest possible tariff barriers."

Testimony to the same effect abounds in the reports of the German Chambers of Commerce, the reports of foreign Consuls, and in the Press both of Germany and other countries. Thus the Berlin Merchants' Association reported in 1896 :— "It must be conceded that the treaties have certainly had those favourable consequences for Germany's export trade which impartial judges predicted would result from them. In fact, the commercial and industrial activity which has been

so apparent in Germany since 1894 is directly due to these treaties."

"In their impotent wrath at the conclusion of the commercial treaties," wrote the Berlin correspondent of *The Times* on February 4th, 1896, "the agrarians have always seized upon isolated complaints in the reports of the German Chambers of Commerce as a proof that not only agriculture but industry also had been injured by the recent economic policy of the Empire. Though it could not be expected, perhaps, that the influence of the commercial treaties would be visible at once in the trade returns, the official statistics of Germany's foreign commerce during 1895 afford a striking refutation of the agrarian contentions and an equally striking justification of the supporters of the treaties. Apart from precious metals, the value of the German export trade in 1895 amounted to £165,500,000, while in 1894 it only amounted to £148,050,000, thus showing an increase of £17,450,000. At least two-thirds of this increase is due to the augmented exportation of purely industrial products, especially of ironware, and though a small decrease is visible in some departments it is of such a trifling character as to be scarcely worthy of notice. As might be expected, this large development of the export trade is accompanied by a considerable increase in the import returns, due to the greater demand for raw material for industrial purposes. In 1895 the value of the imports amounted to £204,600,000, or £39,100,000 more than the value of the exports during the same period."

How the trade of later years has more than borne out this early promise will appear from a comparison. During the six years which preceded the coming into operation of the existing treaties of commerce, Germany's exports had amounted to £972,600,000, an average of £162,100,000 per

annum, but during the following six years they amounted to £1,194,900,000, an average of £199,150,000, an increase of £37,050,000 a year, and that in spite of an intervening period of commercial depression. The import trade showed the same movement. While the aggregate imports for the six years preceding the treaties were £1,270,500,000, an average of £211,700,000 per annum, the imports for the six succeeding years were £1,536,260,000, an average of £256,040,000 per annum, showing a yearly increase of £44,340,000. Taking individual countries, while in 1890, just before the treaty era opened, Germany sold goods to Austria-Hungary to the value of £17,550,000, equal to 10·3 per cent. of her entire export trade, she sold her goods in 1900 to the value of £25,536,000, or 10·8 per cent. of the whole; she sold goods to Russia in 1890 to the value of £10,300,000, or 6·1 per cent. of the whole, but in 1900 to the value of £17,243,900, or 6·8 per cent. of the whole; she sold goods in 1890 to Switzerland to the value of £9,000,000, or 5·3 per cent. of the whole, but in 1900 to the value of £14,602,700, or 6·1 per cent.; she sold goods to Belgium in 1890 to the value of £7,540,000, or 4·4 per cent., but in 1900 to the value of £12,655,000, or 5·3 per cent. In each case there has been a considerable increase, both absolutely and relatively, and this increase, in Germany at any rate, is universally placed to the credit of the enlightened policy of Count von Caprivi. Upon this subject, Professor

Lujo Brentano wrote while the fate of the new tariff (of 1902) was still uncertain :—

"Germany changed Free Trade for a system of Protectionist solidarity (*Anglicé*, 'a self-contained Empire') in 1879, and if German economy has nevertheless advanced it is, thanks to science, to the chemical laboratories of our Universities and the technical instruction of our Polytechnics. Even so, Germany's share in the trade of the world remained stationary during the 'eighties and in most years was behind even that of France. To-day it is different. France fell back in the 'nineties into the same system of Protectionist solidarity. In Germany, on the other hand, what progress since we began with the beginning of the 'nineties to approximate Free Trade again! . . . In fact, since the conclusion of the Caprivi commercial treaties the wealth of Germany has increased as in no equal period of its long history before; the population has rapidly grown; emigration has fallen to a figure unknown in the whole history of the nineteenth century, and other nations, full of astonishment, envy us this. Does it not seem as though some evil fate had blinded us, that so many of our people should to-day be crying down these commercial treaties, while others, standing indolently aside, are shortsightedly vying with each other, by strengthening the Protectionist system, in destroying that which has brought us such great prosperity."

CHAPTER VIII.

THE AGRARIAN MOVEMENT.

With the passing of the Caprivi treaties there came into prominence a political movement which has since disputed with Social Democracy both for fame and notoriety. It is the movement known as agrarianism, whose demand is that agriculture shall be regarded by the State as its primary concern, and shall be given preference over every other economic interest. Manufactures may be crippled; commerce may be destroyed; the ship-yards may be deserted; the mines may stand still; the great export trade which has been built up during the past twenty years may go to ruin; labour may be depressed; the loaf of the poor may be diminished; but the welfare of the land must be maintained at all risks and at all costs. That, in effect, is the contention of the modern agrarians, the successors of the feudalists whom the laws of Stein and Hardenberg dethroned, whose agitation and influence are as much a power as a perplexity in contemporary German politics.

Early in the history of the present Reichstag there was a country party which kept a careful eye upon the interests of agriculture, and especially

of the large corn producers, and its organ, the Association of Taxation and Economic Reformers, was in the habit of holding periodical congresses before the era of Protection opened, for the discussion of questions of the land and the promotion of legislation favourable to owner and cultivator. It was an exclusively Conservative organisation, though not as yet quite identical with the Conservative Parliamentary party, and even then it made no secret of its antagonism to industry and "capitalism." And yet these Taxation Reformers originally were not Protectionists at all, but Free Traders. "Taking our stand on the basis of Free Trade," ran one of the articles in their statutes, "we are opposed to protective duties, though, on the other hand, we regard the question of import duties and excise duties as an open one. With all financial duties and indirect taxes care must always be taken that they do not exert a specially injurious influence on individual districts and classes of the population." It was not long, however, before the first part of this article was excised, and the world saw no more of it. Nevertheless, as late as 1876, though the return to Protection was so near, the official programme of the Conservative and agrarian fractions made no reference to the revision of the customs tariff.

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that it shall pay equal attention to all productive activities and take just account of the now inadequately regarded interests of the larger landowners, of industry, and of handicrafts. In this sense we call for the gradual removal of the privileges accorded to the great capitalists. We call for the amelioration of the grave injuries which exaggerated economic centralisation and the lack of systematic regulations for agriculture and the small industry have produced. In particular we call for the revision of the law of maintenance domicile and of the Industrial Code which experience shows to be necessary."

To recall a programme so moderate is to indicate the distance which the agrarian movement has travelled in the interval. So long, however, as there remained at the helm a Chancellor so favourably disposed to agriculture as Prince Bismarck, the agrarians were relieved from anxiety and apprehension. Only when there came to office a Minister free from prejudices in favour of the landed class, or of any single class whatsoever, did the agrarians form themselves into a solid party, and determine systematically to pursue a purely personal and interested policy.

The first clear departure from the Bismarck tradition took place, as we have seen, when Caprivi decided at the beginning of the 'nineties to modify the existing agricultural duties, as fixed by the revised tariff of 1887, with a view to affording industry fair play and an opportunity of gaining an entrance to markets—Russia and Austria in particular—then closed owing to Germany's embargo on agricultural imports. It was Caprivi's

declaration, in a speech in which he commended the treaty policy to the Reichstag, that "Germany is no longer an agricultural but an industrial country," that for the first time opened the eyes of the agrarians to the economic revolution which had passed over the country. So direct a challenge to fight for their position and privileges the agrarians could not well have resisted, and if they failed to prevent the conclusion of the commercial tariffs of 1892 to 1894 it was not from lack of effort. No sooner, however, had the treaties been ratified than they began a vehement agitation against them in agricultural circles, and the rural constituencies suddenly became the scene of unwonted political activity. "We must tear up the treaties with Austria and Italy," said the frantic *Kreuzzeitung*, that time-honoured champion of law and order, on November 24th, 1893, and later, when the treaty with Russia came into existence amid Imperial felicitations, the organ of the rural party came perilously near to *lèse-majesté*, by flatly declaring that "the German farmer will now be inclined to regard the Emperor as his political enemy."

From that time the agrarians closed their ranks for the strenuous defence of their threatened privileges, and the course of later domestic politics has to a large extent been determined by their influence and action. The first concrete expression of the more aggressive spirit which gained ascendency at the beginning of the 'nineties was the

formation of the Farmers' League, more commonly known as the Agrarian League,[1] the originator of which was a Silesian tenant farmer named Ruprecht.

"What I propose," said this spokesman of the smaller cultivators, in a fiery oration which woke up the sluggish spirits of the peasantry of the South, "is no less than this—that we join with the Social Democrats and seriously make common cause against the Government and show them that we are not prepared to tolerate our present bad treatment, and let them feel our power. It is necessary at last to give expression in plain words to the justifiable discontent which is heard wherever farmers meet together. We must cry so that the whole country hears. We must cry so that our voice reaches the halls of Parliament and of the Ministries. We must cry until our voice is heard on the steps of the throne itself. We must strike out of the statutes of our agricultural associations all the paragraphs that exclude politics, for we must carry on politics, and politics, moreover, in our own interest. Let us have but the courage to take the name 'agrarians' which newspapers antagonistic to agriculture have often unjustifiably given us. For only by carrying on an uncompromising and unequivocal policy of interests can the existence of the present generation of farmers be saved."

The new agrarian movement thus set on foot dates from the end of 1892, though it was February of the following year before the League was formally constituted at a national conference held

[1] The *Bund der Landwirthe*, literally, League of Farmers, and alternatively spoken of in the English Press as the Landlords' League and the Agrarian League. The last variant is truest to the composition of this combination, in which landowner and cultivator consort indiscriminately.

at the Tivoli Assembly Hall in Berlin—ever since the Mecca of a yearly pilgrimage of agrarians from all parts of the Empire. Meantime, the landowners and Junkers of North and East Prussia had taken up the idea, and it was under their patronage that the League was launched, while from that time to this it has proved the advocate and the mouthpiece far more of the interests of the great corn growers than of the small peasants, whose principal occupation is grazing and cattle breeding. The League, as a propagandist organisation, was a signal success from the first. It speedily won a membership of 200,000, and encouraged by abundant funds it has since maintained a large staff of itinerant lecturers whose business it is to organise the agricultural classes, to instruct them in their grievances, and to see that they apply to the Government effective and continuous pressure, so supporting the hands of the party which exists to protect and to promote their special interests in Parliament. The formal programme of the League embraces the following demands:—

1. Adequate customs protection for the produce of agriculture and its dependent industries. 2. No reduction of the existing duties, no commercial treaties with Russia and other countries which might have the result of a reduction of the German agricultural duties, and a re-adjustment, in the interests of agriculture, of the treaty with the United States. 3. More protection for agricultural and particularly peasant auxiliary

industries, such as sugar and spirit manufacture, in the matter of taxation. 4. Prohibition of the import of cattle by sanitary measures from countries where disease is suspected. 5. Introduction of bimetallism as a protection against the fall of the price of agricultural produce. 6. Legislation for the formation of Chambers of Agriculture. 7. Revised legislation upon the subject of domicile, free migration, and breach of contract on the part of labourers (this demand, indeed, going so far as to require that agricultural labourers should be prevented from leaving their native districts even when discontented with the conditions of their employment). 8. Revision of the insurance legislation for the benefit of the working classes with a view to transferring the contributions from employers to the whole community. 9. Severer State control of the Produce Exchanges in order to check the natural arrangement of prices. 10. Revision of the land laws and the laws relating to mortgage and credit in the interest of landowners and agriculture. 11. The amelioration of local taxation for the benefit of the agricultural classes.

These, however, are but the main principles of agrarian policy; in practice agrarianism means preferential treatment for the landed and agricultural classes whenever their interests and those of industry and the consuming public appear to conflict. Germany has hitherto been an agricultural State, and the *status quo* must be maintained not only for all future time but at all costs, and to that

end State policy must be unflinchingly directed. Pages would be needed to record the long list of exceptional laws which have actually been passed in sympathy with this standpoint, and the still longer list of schemes and proposals which, owing to their transparent unreasonableness, have failed to be realised in legislation. To the first list belong, above all, the further revision of the customs tariff in 1902, which remains to be considered; then laws prohibiting the import of live cattle on pretence of veterinary precautions, although when the disease dreaded had disappeared the restrictions remained; laws aiming similarly at the exclusion of dead meat by means of a costly and absurdly pedantic system of inspection; laws regulating the manufacture and sale of margarine; and the Stock Exchange Act, prohibiting dealings in futures in corn and flour, a measure which has injured the landowners more than any other class, since it has, by restricting the flow of money, made dearer its price at home, and so influenced loans and mortgages unfavourably. So, too, in taxation the agrarians have secured special privileges in connexion with the duties payable on home-produced spirit, and until the conclusion of the Sugar Convention those of their number who cultivated the sugar beet had the benefit of a liberal export premium on every ton of sugar sent abroad, the aggregate bounty running to £1,500,000 annually. Want of power and not want of will prevented the passing of many other class

measures which were pressed in vain upon a Parliament never disposed to be too punctilious in weighing agrarian demands.

The most daring proposal which has been made by the agrarians, however, is that which bears the name of Count Kanitz, an East Prussian nobleman who typifies the Junker class and its ideals. This proposal is no less than that the State shall purchase outright all the corn imported into the country and retail it at prices which should not be below a favourable average of past years, the idea being, of course, that the market price of the corn thus sold out of the public granaries would determine the price of the entire amount of grain produced at home. When this curious project was first commended to an incredulous and unsympathetic Reichstag on April 7th, 1894, Count Kanitz suggested the average prices which had ruled during the period between 1855 and that year, with a view, of course, of taking advantage of the period which preceded the stress of foreign competition. These prices were as follows per ton, and for convenience are given the prices at which corn sold in the open market in Germany in 1894 :—

	Kanitz prices.	Market prices at Stettin.	Amount of artificial excess.
	£ s. d.	£ s. d.	£ s. d.
Wheat	10 15 0	6 13 0	4 2 0
Rye	8 5 0	5 16 0	2 9 0
Barley	7 15 0	7 5 0	0 10 0
Oats	7 15 0	6 9 0	1 6 0

Only forty-six Conservative deputies supported the proposal, and it was defeated by a majority of 113 in a small house. Undaunted, Count Kanitz and his friends tried their luck again on March 13th, 1895, and now proposed that the average prices of the years 1850 to 1890 should be the basis of sale. This time the proposal was referred to a special committee, whose decision was unfavourable, even to the extent of its underlying principle. The Chancellor of that day, Prince Hohenlohe, offered it unreserved opposition, and declared it to be an insidious and dangerous step towards Socialism, an assertion which caused the Social Democratic leader, Bebel, to retort that no more anti-social measure could be conceived than one which proposed to enrich a single class at the expense of the community, and especially of the workers and the poor. Since then the proposal has been further discussed by the Reichstag, yet though it has been resolutely negatived by a majority sufficiently large to show that its chances of success are extremely remote, the agrarians refuse to abandon hope and insist that it is the only cure for their woes. The effect of the proposal would, of course, be that in times of abundant harvests an artificially inflated price would be paid at home —a price far above that ruling in the world market —while in times of insufficient harvests the highest import price would have to be paid. That an idea so quixotic should not merely be seriously entertained, but after a succession of rebuffs should still

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be given a leading place in the demands of the Conservative landowners, affords striking evidence of the unpractical and even predatory counsels which to-day have the upper hand in the agrarian party.

Meantime, the famous League has continued its agitation with a persistence and a vigour which prove that abundant zeal, if not equal discretion, is behind the agrarian movement. In the early days of each recurring February a great conference is held in the metropolis, and the heat and energy there generated serve to carry the movement through the year. The speeches made are not always marked by studied regard for propriety, but at least the orators are desperately in earnest. Summing up the proceedings at one of these agricultural reunions, the official organ, the *Agrar-Korrespondenz*, declared:—"The League enters upon the new year joyfully confident that the struggle which it is determined to carry on must end in victory if the German nation is not to be ruined. The God of ancient days will not abandon His German people." As a counter-judgment the words of the Liberal-Conservative *National Zeitung* suggested inexplicable paradox: "The meeting was from beginning to end a series of mad orgies and a specimen of the most unwarrantable agitation." Perhaps the most remarkable political characteristic of agrarianism is the new spirit of independence which it has evoked in the Conservative party. Of old the

Conservatives could always be counted on to support Government policy through thick and thin. That the Chancellor of the Empire or the Prussian Minister President, as the case happened, was bent on a certain course of action or inaction was enough to secure from them, as the one, true, and only loyal, Imperialistic, "State-maintaining" party, unreserved approval and support.

The alliance presumed reciprocity of interest, as all such arrangements do, and so long as the reciprocity lasted so also did the alliance. When, however, both the Emperor and the Government showed a disposition to shrink from the agrarians' extremer demands, and to regard the conditions of union as unequal, the traditional devotion of the Conservative party to throne, altar, and Fatherland stood revealed in its true light as a very human and very unamiable piece of egoism. Thereupon were developed a discrimination of judgment and an independence of action which had never been exhibited before by the same politicians. The "Männerstolz vor Königstronen" ("manly pride before royal thrones") of which Schiller speaks acquired an impressive dignity when exercised by men who had deemed the slightest questioning of the divine right and diviner wisdom of the Crown to be almost treasonable. If Radical and Socialist cruelly hinted that this change of front pointed the moral of an old story, stranger, perhaps, to

the annals of Prussia than to those of more progressive countries:

> "Der König absolut,
> Wenn er unseren Willen thut,"[1]

such unseemly scoffing only proved that the one lacked a proper public spirit and the other good manners.

To trace the influence of the agrarians on the later career of Count von Caprivi,[2] and in compassing his eventual resignation in October, 1894, when he was still believed to be in the enjoyment of his Sovereign's confidence, would take us beyond the scope of fiscal history and into the domain of political intrigue. Caprivi's successor, Prince Hohenlohe, fared better, for happily for him the last close encounter between agriculture and industry was staved off until his term of office was ended by death. Into the custody of Count von Bülow fell, therefore, in the year 1900, a Pandora's casket which two successive Chancellors had, indeed, handled, yet had never opened. Amongst the other winged woes which then issued from it all too soon was the customs tariff of 1902.

[1] "Absolute the King be still,
Let him only do our will!"

[2] Caprivi died on February 6th, 1899, at his country seat near Krossen, on the Oder.

CHAPTER IX.

THE TARIFF OF 1902.

THE Customs Tariff which was adopted at the close o 1902 was as to form a consequence of the necessary revision of the commercial treaties whose formal duration expired with the year 1903; as to substance it was a product of agrarianism. The question of prolonging these treaties began to be discussed in the Reichstag as early as 1897, at which time the Government set on foot the preparatory inquiries.

For the conduct of these an Economic Committee of the Reichstag was appointed, consisting of thirty persons, fifteen nominated by the Executive and five each by the Central Association of German Industrialists, the German Agricultural Council, and the German Commercial Diet (*Handelstag*). This revisory committee, the great majority of whose members were avowed Protectionists, met for the first time on November 15th, 1897, and one of its earliest decisions was to elaborate the tariff in far more detail, with a view to greater differentiation as between various classes of goods belonging to the same group.[1]

[1] German official trade statistics give imports and exports separately in two groups, *Waarengruppen* and *Waarengattungen*.

Upon the basis of this highly specialised "autonomous" tariff, fixing maximum rates, negotiation was to take place in every individual case. Hence it came about that when the tariff was issued in draft form it particularised 946 classes of goods.

Maximum rates were well enough. But now the agrarians came forward in their new strength and raised the cry of minimum rates as well. What was the good, they asked, of enacting maximum duties when it was known well enough that they would not be maintained against a single State? It was cold comfort to talk to the farmer of a protection which was beyond his reach; he would much prefer to know the protection of which he could be quite certain. This demand of minimum duties the Government eventually conceded in the case of agriculture alone, and henceforth it became the purpose of agrarian agitation and pressure to get the irreducible duties fixed as high as possible. In this they were aided by a formal *concordat* with the Central Association of German Industrialists, a Protectionist organisation representing especially the large iron and textile trades, the terms of which were that the country party should support higher industrial duties, in return for which the Association would not be found averse to an increase of the agricultural duties. The pressure which assailed the Government was thus pressure from two sides.[1]

[1] Towards the close of 1900 an unpleasant incident came to light, which illustrated the disadvantage of any

Count von Caprivi, as we have seen, had resisted the agrarians until his position became unbearable and he resigned. During his successor Prince Hohenlohe's tenure of office, the treaties of commerce were in full operation, and impotent to undo Caprivi's policy the agrarians were compelled to bide their time. On Count von Bülow becoming Chancellor in October, 1900, the agitation and pressure redoubled in intensity, and with the fate of Caprivi to warn him he soon capitulated. Early in January, 1901, the agrarians gave the Government to understand that when the commercial treaties came to be revised they would expect a substantial increase of the duties on corn, live stock, and all agricultural products. Later in that month (the 27th) Count von Bülow formally gave the desired assurances on the point. Intervening in a debate in the Prussian Diet, he said:—

"Fully recognising the difficult situation in which agriculture is placed, and inspired by the desire effectively to improve that situation, the Prussian Government is resolved to exert its influence in order

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arrangement which made it possible for the Government and a protected interest to stand in intimate relationship. A high official of the Imperial Home Office was proved to have accepted a contribution of £600 from the Central Association of German Industrialists for use in the promotion of anti-Socialistic measures. Count Posadowsky, the Secretary of State for the Home Department, when interrogated in the Reichstag, acknowledged the truth of the allegation, and for form's sake accepted responsibility for the act of a subordinate, but discreetly declined to discuss the question.

to obtain adequate protection for agricultural produce by means of the customs duties, which must be raised to an extent calculated to attain that object. The Prussian Government is, moreover, doing all it can to accelerate the production of the new scheme of tariffs."

A Bill was produced on July 27th, and it proved to be as highly protective to industry as it was to agriculture. The *exposé des motifs* which accompanied the Bill—a feature of German parliamentary procedure which is admirably designed to furnish the anti-Ministerial parties and critics with argumentative weapons which they might otherwise have lacked—professed to attribute the revision of the tariff purely and simply to the force of changed economic conditions.

"The policy of tariff conventions," said the document, "has materially contributed to the prosperity of industry and commerce, but in connexion with this prosperity a dislocation in the distribution of the wage-earning classes has taken place, to the detriment of agriculture. For the increased wages earned by the industrial classes have led to a constant and growing migration to the towns of agricultural labourers no longer contented with the smaller earnings of the land. Between the years 1882 and 1895 the number of persons employed in agricultural pursuits has decreased from 43·38 per cent. of the population to 36·19, which is equal to a numerical reduction of 700,000. A collateral effect of the industrial expansion has been the larger demands made by the agricultural labourers who have withstood the movement to the towns, thus greatly increasing the working expenses of agriculture, and making that industry in most of its branches less profitable. Hence the necessity for more protection."

It was not pretended that Germany could ever be made independent of foreign grain, but it was said to be "highly desirable to have a permanent home for the production of foodstuffs sufficient to satisfy the greater part of the nation's requirements." On the other hand, industry had also fallen on evil days, for a check on its onward movement had of late set in, and in order to counteract this it was necessary to give the manufacturer, too, the benefit of higher duties. The peculiar feature of the agricultural duties was, however, the introduction of minimum rates.

Of the 946 classes of imports specified 200 were allowed to remain free of duty; in a number of cases—notably of raw materials and partially manufactured articles—the existing duties were reduced; in the great majority, however, increases were introduced, many almost prohibitive. The duties on corn, live stock, and meat were greatly increased, and the agrarians were relieved of duties on certain goods of use to agriculture. Artificial manures of all kinds were as before to be admitted free, and it was also provided that substances ordinarily dutiable might be passed free by the customs authorities should they be intended for use as manures. In the textile industries the principle was continued of exempting altogether from duty, or taxing on a very moderate scale, both raw materials and materials in the first stages of manufacture, though even here there were alterations corresponding to

the ability of German manufacturers to dispense for the future with the foreigner's "first aid," but the duties on half-manufactured and manufactured goods were increased. It is significant that in justifying the higher duties on iron the preamble of the Bill asserted that while the German iron industry had reached a high degree of technical perfection, this alone did not suffice to counterbalance the economic advantages of foreign countries. Nevertheless, the changes were here fewer. The duty on pig-iron remained as before 5*s.* per ton, and in a large number of cases the duties on partly manufactured iron and on finished goods were not altered, and there were even a few reductions, though, on the other hand, many were largely increased. Some of the increased and new taxes were purely fiscal, and could not by any possibility be regarded as protective. Such, for example, was the paltry impost of 15*s.* per cwt. on imported bound books, a tax which, taking book with book, would work out, on present imports, to about 2*d.* per volume. The duty was avowedly proposed in the interest of the printing trade—for both booksellers and bookbinders promptly opposed it—but such an argument was invalidated by the fact that the "goods" here taxed could not by any possibility be made in Germany, so that the tax could not in the slightest degree relieve the German printer from competition; hence the duty resolved itself into a special penalty imposed by the State upon the

studied and reading classes—not the most wealthy classes of German or any other society, by any means.

The new tariff obviously marked a clear departure from the policy pursued with so much success by Count von Caprivi. That policy was to hold the balance as fairly as possible between agriculture and industry, while making special allowance for the two important facts that (1), driven by the force of circumstances, Germany is destined to become more and more an industrial country, and that (2) the vital condition of this inevitable transition is cheap food for the working classes. Count von Bülow also professed, in perfect good faith, that it was equally his own desire to give to both great factors in the productive life of the nation a fair chance—in his own words, to "strike the balance between interests that are in many instances opposed to each other"—but with him agriculture had prior consideration. He frankly confessed, when introducing the Tariff Bill in the Reichstag on December 2nd, that his object was "above all to endeavour to meet those wishes which have been expressed by the agricultural interest in favour of increased protection." Taking the old duties as a whole, they averaged in 1902 19 per cent. of the aggregate value of the imports taxed. Count von Bülow estimated that the new duties would add 17 per cent. to the taxation of agricultural produce and 6 per cent. to that of industrial goods.

The Bill was variously received. The agrarians welcomed it, though as an improvable measure, and at once set their machinery to work with a view to persuading the Government to raise the minimum duties on corn still higher. The manufacturing classes, on the other hand, were by no means agreed in opposing the whole Bill. The minimum duties for corn they liked little enough; even the Protectionist Central Association of German Industrialists roundly condemned them, and only re-considered its position when warned by the agrarians that without higher corn duties there would be no industrial duties at all. It was in accordance with the *Interessenpolitik* ("policy of interests") followed by the German industrialists, not less than by the agrarians, that the Imperial Commercial Diet only adopted by a very narrow majority (151 against 146 votes) a resolution on the subject which, while asserting the necessity to national industry and trade of commercial treaties of long duration, and declaring against the fixing of minimum rates in the customs tariff and against any raising of the existing duties on foodstuffs and raw materials, did not presume to advise the Government concerning any of the duties, old and new, on manufactured goods. As for disinterested consumers at large, loving neither the duties on corn nor those on manufactured goods, they cried a plague on both the great economic interests which strove for their own ends.

Meetings were held all over the country at which strong protest was raised against the tariff, and at Hamburg petitions against it were signed by 206,662 men and women, or over 27 per cent. of the entire population. The view held by the academic Free Trade party may best be expressed in the words of Professor Walther Lotz, written at the time:

"If we wish to remain capable and growingly capable of exporting, and we have desired that hitherto, it is necessary that we should have low costs of production. But our new customs tariff is based on a fundamental idea that higher prices are the greatest blessing. Many believe that it is possible to increase our duties, and nevertheless to maintain our export by means of new commercial treaties. Temporarily that might be possible, though by the exhaustion of our national labour power, but permanently never, and least of all with dearer food. And yet the new agricultural duties have this effect in view. . . . According to the present grouping of parties it is certain that high and increased corn duties cannot be carried out without the simultaneous increase of those on the other products of agriculture as well as of forestry. Still more certain is it that increased corn duties are impossible unless the wishes of the Protectionist group of industrialists, and particularly those combined in cartels, are realised. The Customs Tariff Bill bears the impress, in fact, of this reciprocal assurance of Protection. Dearer corn must lead to the endeavour for dearer meat, dearer feeding stuffs, dearer eggs, dearer fruit and vegetables, and in any case as dear iron, leather, glass, and building material as possible with the consequence of dear dwellings."

Alike in Committee and in the full House the Bill was warmly, even vehemently, debated. The

agrarians began by demanding corn duties of £3 15*s.* per ton all round, and when the mercantile members resisted they tried to get the industrial duties reduced, so as to be quits with the enemy. Finally they induced the Committee to raise the Government's minimum rates as follows:—Wheat and spelt from 55*s.* to 60*s.* per ton, rye from 50*s.* to 55*s.* per ton, barley from 30*s.* to 55*s.* per ton, and oats from 50*s.* to 55*s.* per ton. An illustration of the different way in which small and large farmers viewed the question was lately attested by the Würtemberg Minister, Dr. von Pischek. While the tariff was under consideration the Government of Würtemberg invited the local agricultural associations of that State interested in cattle breeding to state the amount of Protection which they deemed essential. Ten associations asked for a cattle duty of 2*s.* 6*d.* per cwt., and one only made the higher proposal of 4*s.* per cwt. Nevertheless, the duty eventually introduced, owing to stronger pressure exerted elsewhere, was 9*s.* per cwt.

As of old, there were trade and industrial rivalries without end to be conciliated. Thus when the interests of the spinners and weavers came to be weighed, it was found that they were very far from being identical. The cotton weavers wanted high duties on yarns, the spinners wanted low ones. "We Conservatives," said the spokesman of the latter with admirable candour, "certainly desire higher duties on grain; but as the corn

duties raise the price of the necessaries of life for the working classes we cannot proceed to diminish their earnings by imposing high duties on yarn, a course which would at the same time raise the price of the material used for clothing." So the duties were reduced much below the Government rates. On the other hand, the paper duties were further increased by a bargain between the representatives of the manufacturers and the agrarians, in spite of the Government's protest that high duties were needless for protective purposes and would injure important collateral trades. More than once inter-State jealousy and antagonism came to light. Thus when the Prussian landowners demanded that barley, too, should be subjected to as high duties as other grains, the Bavarian Minister of Finance rose in solemn protest against this subtle conspiracy against Munich beer. Such duties, he said, would disastrously injure the beer export trade, since foreign countries would have the benefit of cheaper raw material, and even if the price of beer went up a few pfennige in Bavaria there would be a great decrease in its consumption, which would be bad for the brewers and worse for the Treasury. If, however, the theory of the "protection of national labour" was upheld in some cases, it was coolly ignored in others. So it happened when the Social Democrats proposed an amendment against "dumping," to the effect that the Federal Council should repeal duties on goods imported from

foreign countries and admit them free whenever goods of a like kind were sold by a German syndicate to or in foreign countries at prices below those ruling in the German customs territory. Though strong arguments were advanced in support of the amendment both from the standpoint of the labourer and of the consumer, it was summarily rejected as an impertinence.

So the discussion and the revision of the Bill dragged on month after month until the end of 1902 was in sight, and the mercantile classes especially had cause for dissatisfaction at the way in which it was forced through its later stages without the slightest consideration for their wishes, convenience, or interests. The proceedings in Committee were a muddle from beginning to end. When the new tariff was put forward, the Imperial Chancellor declared that it had been made as protective as possible, and that even as the duties then stood it would barely be able to conclude new commercial treaties. The Government did their best to keep the Committee in hand, but neither moderation nor discretion has ever characterised the agrarians, and alteration after alteration was introduced of a kind not only contrary to the lines laid down by Count von Bülow as unalterable, but absolutely unworkable in practice. In the meantime, the industry and commerce of the country were well-nigh paralysed, on the one hand by the uncertainty of the outlook, and on the other hand by apprehension of the retaliatory

measures threatened by other countries. The attitude of the mercantile class was faithfully reflected by a memorial addressed to the Imperial Chancellor in November by the Commercial Treaties Association. Justifying the demand that the existing treaties should be prolonged for a series of years, and the country be spared the imminent danger of tariff wars, the signatories to this document said:—

"For two and a half years the whole economic life of Germany has been in a condition which bears the character of a crisis. Although this crisis did not originate solely in the uncertainty with regard to commercial policy, . . . that uncertainty has, nevertheless, beyond the possibility of a doubt, greatly contributed to intensify and prolong the crisis. A satisfactory state of things will not be restored until the element of stability and security has been introduced into our commercial relations with foreign countries. For, notwithstanding the considerable export trade which is still conducted under the protection of the existing treaties of commerce, German industry in its most productive branches is suffering from want of employment in a high degree, from widespread want of work for those whom it employs, and from a reduction of wages. The spirit of enterprise is practically extinct, new plant is hardly anywhere being acquired, and manufacturing premises are hardly anywhere being extended. Moreover, the efforts of employers at least to keep their works going have resulted, especially in the case of syndicated industries, in the exportation of large portions of their productions at unprecedentedly low prices—a procedure which, if it were to last much longer, must inflict the gravest damage upon the German economic body, and entail consequences which would exercise a prejudicial influence for decades. The present

melancholy situation has, therefore, a significance which is not merely transitory, but which is of decisive importance for the whole future of Germany as a world-Power."

When at last the Bill emerged from Committee, no time remained for reconsideration in a full House, if it was to be got through before the end of the session, and, to make matters worse, the temper of the popular parties had now been thoroughly aroused by the selfish policy pursued by the interests upon whose support the Government were dependent for a majority. Hence came about the irritating mimic *coup d'état* of December 13th, when, in accordance with prior agreement, a majority composed *ad hoc* and consisting of the Clerical, Conservative, and National Liberal fractions passed the Bill *en bloc*, as revised by Committee, directly the schedule of agricultural duties had been disposed of. The effect was to prevent discussion of any one of the seven hundred odd duties affecting industry and manufacture, a proceeding as objectionable from the standpoint of constitutional principle as it was inimical to the economic interests of the country. Yet the agrarians did not altogether get their own way. If Count von Bülow made one statement oftener and more emphatically than another in the scores of speeches which he devoted to the subject, it was that on no account could or would the Government assent to any increase of the minimum agricultural duties laid down in the original draft of the tariff. Moreover, he denied that any statesman within

the Reichstag or without had capacity enough to conclude commercial treaties on the basis of duties further increased. The old corn duties as adjusted for treaty purposes were:—Rye 35*s*., wheat 35*s*., barley 20*s*., and oats 28*s*. per ton. The Government proposed to fix these duties for the future at some figure between minimum and maximum rates of 50*s*. and 60*s*. in the case of rye and oats, 55*s*. and 65*s*. in the case of wheat, and 30*s*. and 40*s*. in the case of barley, while introducing a duty of 60*s*. upon hops. In Committee, however, as we have seen, the agrarians succeeded in getting the minimum rate for rye and oats increased from 50*s*. to 55*s*., and that for wheat from 55*s*. to 60*s*. On second reading, these alterations were sustained in the Reichstag, but by the terms of the compromise arranged between the Government and the Conservative-Clerical Cartel over the heads of the extreme Protectionists the minimum duties originally proposed were agreed to, with the exception that the minimum duty upon barley used for brewing purposes was raised from 30*s*. to 40*s*. per ton, while in the case of barley used for forage, and also of cattle and meat, the principle of minimum duties was abandoned. It may be convenient to give here the corn duties which have been in operation at different times (see Table, p. 156).

As now legalised the tariff pleases no one. The agrarians still maintain that it fails to give them all the protection they need. The professional

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When at last the Bill emerged from Committee, no time remained for reconsideration in a full House, if it was to be got through before the end of the session, and, to make matters worse, the temper of the popular parties had now been thoroughly aroused by the selfish policy pursued by the interests upon whose support the Government were dependent for a majority. Hence came about the irritating mimic *coup d'état* of December 13th, when, in accordance with prior agreement, a majority composed *ad hoc* and consisting of the Clerical, Conservative, and National Liberal fractions passed the Bill *en bloc*, as revised by Committee, directly the schedule of agricultural duties had been disposed of. The effect was to prevent discussion of any one of the seven hundred odd duties affecting industry and manufacture, a proceeding as objectionable from the standpoint of constitutional principle as it was inimical to the economic interests of the country. Yet the agrarians did not altogether get their own way. If Count von Bülow made one statement oftener and more emphatically than another in the scores of speeches which he devoted to the subject, it was that on no account could or would the Government assent to any increase of the minimum agricultural duties laid down in the original draft of the tariff. Moreover, he denied that any statesman within

the Reichstag or without had capacity enough to conclude commercial treaties on the basis of duties further increased. The old corn duties as adjusted for treaty purposes were:—Rye 35*s*., wheat 35*s*., barley 20*s*., and oats 28*s*. per ton. The Government proposed to fix these duties for the future at some figure between minimum and maximum rates of 50*s*. and 60*s*. in the case of rye and oats, 55*s*. and 65*s*. in the case of wheat, and 30*s*. and 40*s*. in the case of barley, while introducing a duty of 60*s*. upon hops. In Committee, however, as we have seen, the agrarians succeeded in getting the minimum rate for rye and oats increased from 50*s*. to 55*s*., and that for wheat from 55*s*. to 60*s*. On second reading, these alterations were sustained in the Reichstag, but by the terms of the compromise arranged between the Government and the Conservative-Clerical Cartel over the heads of the extreme Protectionists the minimum duties originally proposed were agreed to, with the exception that the minimum duty upon barley used for brewing purposes was raised from 30*s*. to 40*s*. per ton, while in the case of barley used for forage, and also of cattle and meat, the principle of minimum duties was abandoned. It may be convenient to give here the corn duties which have been in operation at different times (see Table, p. 156).

As now legalised the tariff pleases no one. The agrarians still maintain that it fails to give them all the protection they need. The professional

and working classes have nothing to gain, but everything to lose, by it, since as consumers their interest is obviously a free and open market. It was as a sop to the working classes, indeed, that the Government nominally accepted a provision introduced by the Clericals to the effect that any increase in the revenue from the duties on food and the necessaries of life should be passed to a fund which should be used at some future time for the

	Duties per Metric Ton.				
	1879.	1885.	1887.	As reduced for treaty purposes. 1892.	Tariff of 1902.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Wheat ..	0 10 0	1 10 0	2 10 0	1 15 9	2 15 0 to 3 5 0
Rye ..	0 10 0	1 10 0	2 10 0	1 15 0	2 10 0 to 3 0 0
Oats ..	0 10 0	0 15 0	2 0 0	1 8 0	2 10 0 to 3 0 0
Barley ..	0 5 0	0 15 0	1 2 6	1 0 0	1 10 0 to 4 0 0
Flour ..	1 10 0	3 15 0	5 5 0	3 15 0	9 7 6
Rape ..	0 3 0	1 0 0	1 0 0	1 0 0	2 10 0
Maize ..	0 5 0	0 10 0	1 0 0	0 16 0	2 10 0

support of widows and orphans. The proposal was generally recognised as a mere ruse, and though the Imperial Chancellor professed sympathy with it he is hardly likely to act upon it, since the Empire will for a long time need all the revenue it can raise. On the other hand, the commercial classes, though they stand to benefit by the increase of many of the industrial duties, fear that the retaliatory policy of other States will more than neutralise that advantage. Their attitude was shown by a protest published by

the Commercial Treaties Association directly the Bill had been forced through Parliament, stating:—

"The parties composing the majority in the Reichstag have unfortunately succeeded in securing the adoption of the customs tariff, which has been altered for the worse by the amendments of the Committee. The Commercial Treaties Association consider it to be all the more incumbent on them to persevere in the task of endeavouring, by spreading information among the people, to ensure that in the future German commercial policy shall, in view of the greedy appetite of the agrarians, be guided into moderate courses, and that, as a first step, the result of the elections may furnish a prospect of the reduction of the exorbitant duties of the tariff, which are greatly to the prejudice of the internal economic condition of Germany. The Commercial Treaties Association will now, as before, constantly endeavour by their active co-operation to promote the conclusion of advantageous commercial treaties for long periods of time in the interest of the overwhelming majority of the German people."

Considering the composition and influence of this association, so significant a declaration is a sufficient answer to the common assertion that the mercantile classes of Germany are ardent advocates of Protection. The fact is that there, as in other countries, the industrial and manufacturing interest is divided on the subject, and is as much influenced by political and party as by economic considerations.

It is impossible to withhold from Count von Bülow a certain mitigated sympathy. His position is a difficult and a disagreeable one. With

Association has nearly 20,000 members, who as industrialists and merchants employ 1,500,000 people, though they claim to represent the economic interests of three times that number, without taking into account the consuming public. The Association is a practical protest against the short-sighted folly and the unconscionable egoism of the agrarian party, which, rather than sacrifice any one of its extreme demands, would see the country plunged into a war of tariffs from which she could not by any possibility emerge, whatever the issue, without suffering irreparable injury. The Conservative leader in the Reichstag contemptuously declared, indeed, that he "had not the slightest fear" of such an encounter, but fear has never been a characteristic of his party so long as the interests at stake were not its own.

CHAPTER X.

PROTECTION AND TRADE.

It is necessary now to inquire how Protection has worked out in practice, what have been its effects upon the several interests of industry, agriculture, and labour, what are the gains and what are the losses. Obviously there can be neither finality nor absolute exactitude in an inquiry of this kind. Much will depend upon the point of view, upon the conception of public policy which guides us, and upon the idea we entertain as to what constitutes success and failure. Prince Bismarck said in 1878: "In the contemplated revision of the customs tariff our own interest must alone guide us." One may, without being either pedantic or hypercritical, object that such an elusive proposition entirely begs the question at issue. For it makes two great assumptions, viz., that protective laws are an economic good and that such laws can be applied so impartially as to promote the common welfare. That special interests can be and are benefited by Protection is a fact of daily observation; that Protection benefits a political society as a whole is a supposition not to be accepted without proof.

It is natural to ask first, has Protection, then,

extended trade? Before an answer is possible the question must be clearly defined, and directly it is examined its limits will be found to be much narrower than they at first appear. It is clear that neither Germany nor any other country can extend her exports by imposing duties on incoming goods. In so far as the policy of Protection influences foreign trade at all it must be prejudicially, by inciting other nations to reprisals, such as have in fact been resorted to by Germany's neighbours, Russia and Austria, even to the extent at times of temporarily shutting out German goods altogether. There is a despairing note about most of the Chamber of Commerce reports in all the years of tariff revision that is eloquent in its testimony to the disturbance, trepidation, and anxiety caused by this critical operation, for exporters know to their cost that upon the skill and success with which the retaliatory measures of other States are parried and overcome depend their entire trade and prosperity. Typical is a passage which appears in the report for 1903 of the Barmen Chamber relating to the revised tariff of the preceding year:—

"That our industries, and especially the textile branch, could be satisfied with the form taken by the new customs tariff will be maintained by no one who appreciates the large extent to which they are dependent upon the import of yarns and the export of their manufactured goods. Only the future will show whether the Government will be able to conclude favourable commercial treaties on the basis of the tariff voted, and we cannot unfortunately entertain too great hopes on this score. The change

intended in various portions of the tariff will inevitably entail retaliatory measures on the part of other States, and the loss will naturally fall on the export industries. The new Russian, Austrian, and Swiss tariffs already published increase two-fold and three-fold the duties on articles in which our industries are principally interested, a prospect which is not very encouraging. The future of our foreign trade is thus a dark one. Whether an improvement in trade at home will compensate our industries for declining trade abroad is very problematical, in view of the fact that three-quarters of the entire production of our district are sold to foreign countries."

Reporting for the same year, the British Consul-General in Frankfurt said :—

"The consumers are threatened by a considerable increase of the duties on food ; the export industry, which has grown up year by year, fears that its interests are seriously threatened. The exporters argue that, if a country so highly developed as Germany raises its customs duties, this would be the signal for similar steps on the part of those countries which constitute its best customers. . . . Sober manufacturers and artisans in Germany are convinced that the example set by that country must ultimately favour protective tendencies in other countries. They watch with much apprehension the industrial growth of the United States, which is looked upon as the 'coming danger.' The feeling in the United Kingdom, too, is being watched with much concern, as the opinion is gaining ground that the German customs duties, which are being persistently increased, must in the end bring about a change in the system now prevailing there. This danger is, in many quarters in Germany, regarded as the greater of the two, for the United Kingdom takes fully one-fifth of all goods exported from Germany, and Germany, again, is the United Kingdom's best customer. While the Protectionist agrarians and the large manufacturing

industries are encouraging the German Government in its Protectionist policy, the smaller and middle-class industries and the centres of export are showing a marked uneasiness, due to the uncertainty of the near commercial future."

In considering the question of gain and loss by Protection, therefore, any progress made in foreign trade cannot be placed to the credit side of the account, since exports are demonstrably hindered rather than encouraged by protective tariffs, save in so far as dear sales at home facilitate cheap sales abroad—a reservation to which we shall have to return. Further, it is a notorious fact that many of the largest of German industrialists have only been enabled to maintain their position abroad by decentralising their production. A recognised authority upon the iron industry, Dr. Eugen Moritz, shows in his work, "Eisenindustrie, Zolltariff, und Aussenhandel," how, owing to the severe protective measures adopted by other countries in imitation of Germany, industry after industry has been compelled to establish branches abroad. He enumerates seven large iron works which have in this way established as many branches in foreign countries; sixteen machine works which have established twenty-six branches; seven electrical companies which have established twenty branches; seven textile companies which have established ten branches; nine chemical works which have established sixteen branches; and six glass, cement, and other companies which

have established nine branches. Tracing in particular the effect of foreign Protection upon one large German firm, which has for many years been engaged in the construction of iron and steel rails, he points out how it was compelled to build factories first in Austria-Hungary and then in Russia, since German material could not be imported into those countries owing to the heavy duties. The result has been that this large firm has had to use a constantly decreasing amount of German material in the execution of its contracts abroad. Up to 1890 only from 5 to 10 per cent. of the material it employed was purchased abroad. In 1898 the proportion had grown to 38 per cent., in 1899 to 45 per cent., in 1900 to 50 per cent., and in 1901 to nearly 60 per cent. of the firm's entire sales. Protection has, therefore, had the effect of depriving German workpeople, and to a large extent German capital, from producing this material.

Moreover, so far as Germany has extended her commerce in English and other Free Trade markets she is herself a witness in favour of Free Trade and against Protection. Only by examination of her exports will it be seen how greatly she has been helped by the Free Trade policy of other countries. Taking five recent years (1897–1902) for comparative purposes, and relying upon the returns of the Imperial Statistical Bureau, we find that the total increase of exports has been in weight from 28,019,949 tons to 35,029,559 tons, and in value from £189,312,050 to £240,641,650,

an increase of 7,009,610 tons and £51,329,600 respectively. Of this increase, however, there have fallen to three European Free Trade markets, the United Kingdom, Holland, and Denmark, no less than 3,079,097 tons of value £20,868,350.

In Weight—Tons.

	1897.	1902.	Increase.
United Kingdom ..	1,482,213	2,498,816	1,016,603
Holland	5,180,652	7,079,231	1,898,579
Denmark	385,967	549,882	163,915
Totals	7,048,832	10,127,929	3,079,097
	In Value.		
	£	£	£
United Kingdom ..	35,083,750	48,276,450	13,192,700
Holland	13,193,100	19,681,500	6,488,400
Denmark	5,369,350	6,556,600	1,187,250
Totals	£53,646,200	£74,514,550	£20,868,350

Thus, of the gross quinquennial increase of her export trade 44 per cent. in volume and 40·4 per cent. in value was secured in three neighbouring Free Trade markets. Had these markets been restricted like her own, it is a fair assumption not only that nearly half of the growth of her foreign trade would have been lost to her, but that she would, by losing ground in these three markets, have neutralised most of the progress made in others. For the rest, 60 per cent. of her increased trade during the years reviewed has fallen to countries in which she enjoys no tariff preference

whatever (saving the diminutive and very unremunerative trade with her own colonies) but contends with other countries on equal fiscal terms. That here also she owes much to accidental circumstances—such as geographical position and favourable conditions and costs of transport—will appear when it is remembered that next to England the best of her European markets join her very frontiers—Austria, Russia, Holland, Denmark, France, Switzerland—and that the German Government encourage foreign trade by charging almost nominal railway rates on exported goods. How the trade with these frontier countries (Holland and Denmark excluded) has increased may be shown by a similar comparison :—

	1897.	1902.	Increase or Decrease.
	£	£	£
Austria-Hungary..	21,756,550	26,652,950	+ 4,896,400
Russia	17,281,200	17,184,150	− 87,050
France	10,495,600	12,658,650	+ 2,163,050
Switzerland ..	12,719,650	14,266,500	+ 1,546,850
Totals.. ..	£62,253,000	£70,761,250	+ £8,508,250

This increase again accounts for 16·6 per cent. of the whole, making 57 per cent. for which the conditions were specially favourable.

It is, however, indisputable that the great increase of Germany's foreign trade has fallen to the years of reduced duties brought about by the Caprivi treaties of 1892 and 1894, and to the

countries with which commercial relationships were by these tariffs made more easy. Figures in demonstration of this have, however, been given already, and it is unnecessary to press their moral further. It may be noted also that, as with progressive industrial countries generally, Germany's "passive balance of trade" has steadily increased during all the years of her greatest commercial expansion, and the excess of imports over exports was last year about £60,000,000. Before the treaties came into force the excess was £41,500,000 in 1889, £43,150,000 in 1890, and £53,200,000 in 1891. During three recent years it has been:—1900, £63,900,000; 1901, £49,648,000; and 1902, £59,884,000. In 1902, Germany's exports averaged £4 13*s.* per head of the entire population, her imports £5.

Allowance must also be made for the increase of population. In 1871 Germany gained by a mere stroke of the pen an addition to her population of 1,400,000, by the annexation of Alsace-Lorraine to the Empire, and, as has already been pointed out, that annexation gave her at once a new market and a new factory of enormous extent. The population of the new Empire in that year was 41,000,000; it was in 1900 56,000,000, an increment of 15,000,000 or 36 per cent.; while the population of the United Kingdom increased in the meantime from under 32,000,000 to under 42,000,000, an increment of 10,000,000 or 31·3 per cent. This growth of population alone accounts for a considerable increase both of industry and trade.

That Protection has had the effect of reserving the home market for home producers to a larger extent than would otherwise have been the case must be conceded. A comparison of the years 1897–1902 shows that the imports of raw materials have increased relatively to the aggregate imports, while those of manufactures have decreased and those of food stuffs have on the whole stood still. The following are the actual figures:—

Year.	Imports in Weight—Tons.						
	Total. Tons.	Raw Materials for Industrial Purposes. Tons.	Per-centage of Total.	Manu-factured Goods. Tons.	Per-centage of Total.	Food-stuffs and Cattle.	Per-centage of Total.
1897	40,162,317	30,711,592	76·5	1,925,424	4·8	7,524,297	18·7
1898	42,729,839	32,077,716	75·1	2,060,212	4·8	8,590,816	20·1
1899	44,652,288	34,634,940	77·6	2,163,958	4·8	7,852,358	17·6
1900	45,911,799	36,255,027	79·0	2,209,202	4·3	7,446,366	16·2
1901	44,304,577	34,038,124	76·8	2,104,739	4·8	8,160,435	18·4
1902	43,335,652	32,891,506	75·9	2,063,029	4·8	8,379,919	19·3

Year.	Imports in Value—In 1,000 Marks.						
	Total.	Raw Materials for Industrial Purposes.	Per-centage of Total.	Manu-factured Goods.	Per-centage of Total.	Food-stuffs and Cattle.	Per-centage of Total.
1897	4,864,644	2,100,137	43·2	965,855	19·8	1,614,705	33·2
1898	5,439,676	2,246,481	41·3	1,015,129	18·7	1,819,036	33·4
1899	5,783,628	2,607,014	45·1	1,147,578	19·8	1,728,504	29·9
1900	6,042,992	2,803,097	46·4	1,199,645	19·8	1,762,872	29·2
1901	5,710,338	2,458,769	43·1	1,064,231	18·6	1,898,235	33·2
1902	5,805,776	2,559,636	44·1	1,102,743	19·0	1,968,621	33·9

A peculiar product of the Protectionist system in Germany, as in other countries, are the syndicates that have been called into existence for the

purpose of using to the best advantage the opportunities of profitable trading which are offered by preferential laws. To these passing reference must be made. The syndicate regulates both the production and the sale of the allied industrial concerns, which henceforth are required to transact business entirely through its mediation, and to conform to the regulations which are issued in the common interest by its directive officials. The syndicate thus controls at once production, sale, and prices, and, thanks to its power to check competition and under-selling, it is virtually able to rule the home market and to secure to its members remunerative conditions of trading. An important branch of the syndicate's operations is the promotion of exports by means of premiums, which facilitate the capture of foreign markets and account for much of the "dumping" of which English manufacturers complain. In Germany no disguise is made of the fact that this cheap selling to foreign countries is only made possible by dearer selling at home. Not long ago a syndicate in the iron trade admitted having during six months made a profit of £60,000 on home sales and a loss of £43,000 on foreign sales. Nevertheless, it frequently happens that the syndicating of one industry proves injurious to the interests of another similarly organised, and especially is this the case where, owing to monopoly, raw material or unfinished goods are made dearer to industries engaged in the final processes of

manufacture. Not only so, but the syndicates are never slow to take advantage of the conjunctures of the market, whatever be the inconvenience and loss inflicted upon dependent industries. Speaking of the coal famine which seriously handicapped the iron trades in 1899, Dr. Eugen Moritz, in the work already named, says that the coal syndicates "abundantly exploited the situation in their special interests in a manner that can little be commended," and he adds: "That the cartels, syndicates and trusts should be placed under State control must appear indispensable to everyone who is versed with the circumstances and who desires the healthy development of our German economic life." So far has the syndicating of trades and industries gone that these combinations now number some hundreds, covering every branch of enterprise.

While there can be no doubt that the consumer pays more for syndicated goods than for goods purchased in free exchange, this form of industrial combination is widely defended in the interest of labour, which is said to be secured more regular employment and higher remuneration than existed formerly; though, on the other hand, great hardship is occasionally caused where, in the interest of economical concentration, old-established concerns are arbitrarily discontinued. An investigation instituted by the Imperial Government led to a sort of official benediction upon the syndicate and the cartel, and in two recent speeches the Prussian Minister of Commerce has commended

the further organisation of industry on the same lines as the surest way of meeting the "American terror," though taking care to warn the syndicates that the immoderate use of their monopoly power would lead to public condemnation and possibly to legislative interference. From the consumer's standpoint the syndicates simply mean higher prices without any corresponding advantage. Referring to the coal trade, a German writer stated recently:—

"It is an undoubted fact that since the existence of the coal syndicate the profits of the collieries have enormously increased—far more than the miners' wages. According to the admissions of the director of the syndicate, made before the Government Commission, the average price obtained during the years 1894 to 1901 increased from 7·83 to 11·01 marks, or 41 per cent., while the average yearly wages of the colliers increased from 961 to 1224 marks, or 28 per cent."

The following dividends declared by some of the most important colliery companies represent a fairly satisfactory return upon capital for years of declining trade:—

	1900.	1901.	1902.
Concordia	29 per cent.	25 per cent.	18 per cent.
Consolidation	30 ,,	27 ,,	27 ,,
Gelsenkirchen	13 ,,	12 ,,	10 ,,
Harpener	12 ,,	10 ,,	10 ,,
Hibernia	15 ,,	13 ,,	10 ,,
Cologne	33⅓ ,,	30 ,,	25 ,,
Magdeburg	46⅔ ,,	42 ,,	35 ,,
Nordstern	20 ,,	20 ,,	16 ,,
Schalker Gruben ..	32½ ,,	30 ,,	32½ ,,

Granting, however, that the workpeople employed in the syndicated industries have not in general suffered, the fact remains that the higher profits of capital and the higher wages of labour, where obtained, have come out of the pockets of the consumers. The British Consul-General in Frankfurt has summarised the *pro* and *contra* of the question in the following words:—

"The old adage," he says, "that competition is the life of trade no longer applies. Syndicates practically do away with competition, which led to technical improvements and inventions, and, as syndicates take in tow also weak concerns, natural selection among the works of the same branch ceases. It has not yet been proved that this is counterbalanced by the efforts of the various members of the syndicates to occupy a prominent position in trade. Syndicates, moreover, endeavour to rule the market, and this compels them to deal very summarily with any new competition that may spring up. They also interrupt all connexion between manufacturer and customer, which is one of the causes of their strength; for, all individual connexion having been severed, the manufacturer, if he quitted the syndicate, would find himself compelled to begin all over again. It is agreed that since the formation of syndicates the capital invested in trade is less subject to risks arising from crises; prices remain more even and steady, for the crumbling away of prices through under-bidding, especially in times of declining trade, is no longer feared, and the expenses of production are reduced. Thus, the labour market profits, employment and wages have become steadier; if during bad times the home prices are kept up artificially, wholesale dismissal of workmen need not be resorted to, and the various trades will more easily acquire an old and experienced stock of workmen."

To return: how far the retention of the home market, by the exclusion of foreign competition, has been an advantage from the standpoint of the national economy is a separate question, the answer to which must be determined by several considerations. It is obvious that, in so far as by artificial aids industries are started or kept alive which could not without those aids be successfully carried on at all, there can be no benefit to the community. For the gain which is apparently shown by such industries is neutralised by at least equal loss. Private individuals may profit, but it is at the expense of the totality, and in the meantime productive activities are unremuneratively employed which might have been employed to positive economic advantage. Moreover, to the extent that the exclusion of the foreigner from the home market has the effect of increasing prices, a further direct sacrifice is imposed upon the community, and this again must be placed against any legitimate claim of extended trade. From this standpoint the so-called "protection of national industry" is at best a one-sided measure, for what the producer gains the consumer loses, and even when labour is more highly remunerated the working man merely receives with one hand in order to pay back with the other. Further, the injury thus inflicted upon the community as a whole is accentuated where, as is so largely the case in Germany, foreign trade is systematically stimulated by the low prices which are made possible

owing to the monopoly possessed in the home market, the effect of which is that the home purchaser is overcharged in order that the foreigner may be undercharged. The iron industry with its allies is the chief illustration of this system of uneconomic trading, popularly known in this country by the vague term "dumping." The production of pig-iron in Germany has increased from 4,658,451 tons in 1890 to 8,520,540 tons in 1901, 8,402,660 tons in 1902, and 10,085,634 tons in 1903. Naturally this great production of iron of late years has been a forced production, and it was necessary to dispose of a large part of it by forced sales abroad. The exports of the entire iron industry in 1903 were 3,309,000 tons, with a value of £30,168,750, or £9 9*s.* 4*d.* per ton, against 2,347,211 tons with a value of £25,862,950 or £11 0*s.* 5*d.* per ton in 1902, and 1,548,557 tons with a value of £23,980,450 or £15 10*s.* per ton in 1901, showing a striking decline in prices. Taking pig-iron exports alone, the value per ton was in 1902 £2 9*s.* 6*d.*, against £2 15*s.* in 1901 and £4 in 1900. A general fall in values accounts for part of this disparity, but the "dumping" system accounts for still more. The Prussian Minister of Finance, Baron von Rheinbaben, said in the Prussian Diet on January 19th, 1904, "The extraordinarily large export of iron goods has unquestionably helped our iron industry over difficult times. Without this export the works would not have been able to keep going, and

workpeople would unavoidably have been discharged." That is true, and the words sufficiently explain the policy which the iron industry has pursued—the policy of producing to the full extent of its capacity, selling to the home market as dearly as protective laws and trade combinations will permit, and then disposing of the balance of its production abroad at "cut prices" (*Schleuderpreise*) which either afford a very slight margin of profit or no margin at all.

Such a system of trading violates sound economic principles, and the fact that individual manufacturers benefit by it is no answer to the objection that it expressly contradicts the "national" argument by which Protection is most commonly justified. A perfectly impartial Consul of the United States reported to his Government from Hamburg a few years ago:

"Frugality and industry can hardly be expected to accomplish any miracle greater than that of enabling a thrifty workman to keep out of debt. The policy of the countries of Central Europe seems to be to extend and inflate their manufacturing industries indefinitely and suicidally. Their ideal of national prosperity and of happiness seems to be nothing more than the attainment of the ability to export manufactures and import food, and in support of this policy the Governments take from the working-man an import duty on his food in order to give the manufacturer an export bounty."

The only compensation which falls to the consumer lies in the fact that the export of material sold under cost enables the foreign manufacturer

to re-export finished goods on favourable conditions. Hence complaints like that of the Siegen Chamber of Commerce (1903) :—

"We cannot pass over in silence the loud complaints of many manufacturers of finished goods that cheap German exports of material make it possible for firms abroad to offer serious competition here."

The *Cologne Gazette*, in giving illustrations of this recently, wrote:—

"In transactions with foreign countries there is much underbidding in the German fine-plate trade, so much so that German fine-plate rolling works are unable to compete, in spite of the export premiums which they enjoy, and their trade abroad has been greatly reduced. To all appearance the reason for this is that German half-manufactured material has been sold abroad at such extraordinarily low prices that foreign plate rolling works are able with the help of cheap German material to underbid German competitors on their own ground."

It is fair, however, to remember that many persons, while opposed to Protection on economic grounds, defend it on political and social grounds. The prospect of Germany's definite transformation from an agricultural into an industrial State is one which is contemplated by thoughtful people of every political party with regret and misgiving. It is not merely that such a transition must inevitably be accompanied by hardship to the existences which go under, but that the final triumph of industry means the triumph of the factory system and all the hundred-and-one evils which inevitably follow in its train—the decay of

rural life, the densely populated town, the unhealthy life, the physical and moral deterioration which modern industrial conditions occasion and foster. Even avowed Free Trade economists like Professor Walther Lotz frankly recognise the importance of this aspect of the question, and admit the desirability of checking in every natural way the concentration of population in large towns. Nevertheless, the outlook is not by any means so gloomy as pessimistic imaginations are apt to picture it. According to the census of occupations of 1895 the industrial population of Germany was still found to be resident for the most part in towns of medium and of small size, and only to the extent of one-fifth in towns of over 100,000 inhabitants. For example, of every 1,000 persons employed in industry and mining 194·1 were found in towns of 100,000 and upwards, 146 in towns with from 20,000 to 100,000 inhabitants, 196·8 in towns with between 5,000 and 20,000 inhabitants, 152·4 in towns of between 2,000 and 5,000 inhabitants, and 310·7 in communes with less than 2,000 inhabitants. At that time 7,188,758 persons were found to be directly engaged in industry, and their dependents numbered 8,257,721, making a total industrial population of 15,446,479. On the other hand, the agricultural labourers numbered 5,500,000, with 3,000,000 dependents.

Happily also, deterioration has not yet made the inroad upon the national strength and vitality

which is sometimes alleged, and of degeneracy there can be no talk. The report upon the physical condition of the youth levied for military service during 1902 shows that the urban decadence so generally affirmed has little basis in fact. Of every 100 persons born on the land liable to service, 58·64 were found to be efficient when taken from agriculture and forestry, and 58·40 when taken from other employments : a difference of only 0·24 per cent. Of town-born men liable to serve, 58·52 per cent. of those employed on the land were found to be efficient, and 53·52 per cent. of those who followed other employments, a difference in favour of the countryman of only 5 per cent.

And yet, however reasonable this fear of industry may be, and however legitimate the plea that the agricultural population, as the healthiest element in the nation, should be protected against decay, even at great sacrifice if need be, it is essential that the State in discharging an obligation of this kind should at least take care that the benefit of the protection given is universally and equally shared and does not become the monopoly of any one class. This, however, it has entirely failed to do. As we shall see, the inevitable result of high agrarian tariffs is to enrich the large landowners and the large cultivators ; to the small peasantry in general and to the agricultural labourer Protection brings little or no gain, and often positive loss.

The attempt has been made to draw conclusions favourable to Protection from the returns of emigration. It was, of course, one of Prince Bismarck's favourite theories that emigration was the true index of the country's prosperity, yet even if we accepted this theory as valid for Germany, it would be difficult to base upon it any justification of the policy introduced in 1879. During the industrial expansion of 1872 no fewer than 125,650 persons emigrated from German ports, and in 1873, when times were still perilously prosperous, 103,638. Then the number fell to 45,112 in 1874, to 30,773 in 1875, to 28,368 in 1876, and to 21,964 in 1877. Industrial and commercial stagnation had now well set in, yet even in 1878, when the last successful blow on behalf of Protection was struck, the number of emigrants was only 24,217, while in 1879 it was 33,227. The following year the new tariff came into full operation, and the emigration rose to 106,190, and in the next year it was 210,574. Taking quinquennial periods, the number of emigrants during the five years following the French war (1871-1875) was 381,085, and during the five years which covered the transition to Protection (1876-1880) 214,068; but during the following five years (1881-1885) it was 817,763.[1] During late years there has been a great decline in this withdrawal of population. In 1887 it was still 99,712, in 1888 it was 98,515, in 1889 it was 90,259, in 1890 it was 91,925, in 1891 it was

[1] Karl Strauss in *Petermanns Mittheilungen*, 1886.

115,392, and in 1892 112,208. The following years saw the operation of the Caprivi treaties, and the emigration fell to 84,458 in 1893, to 39,178 in 1894, to 35,557 in 1895, to 32,114 in 1896, to 23,220 in 1897, and to 20,837 in 1898, in which year the harvest was specially good. Since then the number has risen to 32,000 (1902). It should be added that since 1897 emigration has been to some extent regulated by a law requiring emigration agents to be registered, and restricting their operations to such ports and even countries of destination as the Imperial Chancellor may from time to time determine. No wise man will too daringly form definite conclusions either way upon figures like the above without taking into consideration other factors which have nothing whatever to do with fiscal policy.

A fair verdict upon Protection from the purely economic standpoint would be that while it has undoubtedly preserved the home market for the home producers to a far larger extent than formerly, it has done this at the cost of the consumers. The manufacturing classes have greatly benefited; but their gain has been the loss of the rest of society. But an economy which does not promote the interests of society as a whole cannot by any right use of the term be called a national economy; it is a class economy pure and simple. And this is what the policy of Protection has gradually become in Germany. Commended originally by its author on the score of its

reasonableness and moderation, and by him lauded as superior to the earlier policies of prohibition and exclusion, because it sought to combine protection for industry and agriculture with a scrupulous regard for the interests of the consumers, it has step by step grown into a huge political system for guaranteeing the two great branches of production security for their capital and a remunerative return for their investments. The late Dr. Schäffle pointedly characterised the demands of the modern Protectionist in Germany in the following words, and though they were meant to refer particularly to the agrarian they apply to the industrialist as well:—

"The Protectionists of our time no longer ask, as did the Protectionists of earlier times, for protection for the purpose of cultivating new or young branches of production or against crises, but without disguise demand a State guarantee, by means of customs duties, of a definite interest on capital and rent of land. Not temporary support of agriculture in its endeavour to accommodate itself to the universal obligation to pass over to a more intensive system of farming, and to the new international competition, but the maintenance of the rent of the land which was attained up to 1875 is the real gist of the matter. It is as if the investor asked for protection so that the rate of interest might not fall, or the capital sunk in industry and trade required protection so that old undertakings might be continued without loss."

The word is like poison on the tongue of the average Protectionist, whether agrarian or industrialist, yet in effect his demand implicitly concedes the Communistic principle. For if the

landowner is to be secured his rent, and the capitalist his interest, why not the merchant his profits, the workman his wages, the professional man his fees, and everybody else his special form of remuneration? But a system of universal bounties, under which everybody is equally subsidised at the common expense—which means in the last resort his own—would be nothing less than Communism *sans phrase*. That was why Count von Caprivi with statesman-like foresight ranked agrarianism with Social Democracy as one of the revolutionary elements in society.

It remains to be added that while the advocates of industrial duties continue powerful enough to influence legislation, the manufacturing and merchant classes are no more Protectionist in a body than are the same classes in England. Not only so, but many of the most sagacious spokesmen of industry contend that a return to Free Trade would in time equip Germany far more efficiently than in the past to compete for trade on a large and imposing scale in the markets of the world. Referring to the progress which has already been made in this direction, Dr. Eugen Moritz writes :—

"The reasons for this striking development are first of all to be sought in the economic consolidation of the German Empire and its concentration upon remunerative industry and foreign trade. The inventions in regard to the application of steam and electricity, the discoveries in chemistry, the revolution in machine and railway construction, formed the starting point

for the creation of industry on a large scale, which industry, fostered by Germany's peace policy, has grown to its present prosperity."[1]

And speaking of the iron industry in particular, he contends that its expansion would have taken place without any protective duties at all, while his final conclusion is that the future success of Germany's industry and export will best be furthered by the gradual adoption of a Free Trade policy. Views like these have never been isolated, but they are more common to-day than ever before. So long as agrarianism was moderate in its demands it was possible for the industrialists to work with it to mutual advantage. Now, however, that the agrarians insist more and more on regarding Protection solely from their own standpoint, and indeed demand severer tariffs for the express purpose of stemming the progress of industry, it is not difficult to foresee the time when the breach of the old compact might become a vital necessity for the manufacturing interest, and with that breach a new era of freer international trade would at once begin.

[1] "Eisenindustrie, Zolltariff, und Aussenhandel," Berlin, 1902.

CHAPTER XI.

THE CONDITION OF THE WORKING MAN.

In commending Protection to his countrymen in 1879 Prince Bismarck laid special stress upon the need for the "protection of national labour." Let the foreigner only be prevented from competing on free and equal terms in the home market, and as a result of the stimulus which would be given to industry the working man would be assured far more favourable conditions both of labour and of life. A pertinent comment upon this plea, which still continues to occupy a leading place in the case for Protection, was passed by a labour deputy in the Reichstag this year. "The working man," he said, "receives no benefit from the duties, and the middle (consuming) class is seriously injured by them. If it were true that Free Trade reduces wages, then wages should be lowest in England and highest in Russia, but the fact is exactly the reverse. Wages in England are far higher than in Germany; in Russia they are miserable." Whether they are right or wrong, the conclusions here expressed are entertained by the entire labouring population, whose

uncompromising hostility to Protection is rooted in a profound conviction of its harmfulness and harshness as well as of its inequality. How far this conviction is justifiable may be more fairly judged when the facts of labour's condition in Germany are before us.

There is no denying that wages have increased during recent years, yet the increase has in general taken place on rates which have been unknown in England for half a century. Even so, the wages paid in the two countries to-day yield some startling contrasts. Thus, returns published by the Metal Workers' Union show that of 8,951 journeymen locksmiths employed in Berlin in 1903, 5,040 earned 3*s.* 6*d.* a day and upwards, 3,163 earned between 2*s.* 8½*d.* and 3*s.* 5*d.*, and 758 earned between 2*s.* 2½*d.* and 2*s.* 7*d.* a day. An agreement concluded between the master locksmiths and their employees guaranteed to men out of their time a minimum of 4*d.* an hour from 1904 forward. In England the average rate is 4*s.* 6*d.* a day.

According to official returns the average yearly wages paid in the collieries of Prussia in 1901 and 1902 were—

District.	1901.			1902.		
	£	*s.*	*d.*	£	*s.*	*d.*
Upper Silesia	43	12	0	41	0	0
Lower Silesia	43	11	0	39	19	0
Dortmund	61	4	0	56	11	0
Saarbrücken	52	2	0	52	13	0
Aix-la-Chapelle	58	2	0	55	19	0

The wages in the iron ore mines were :—

District.	1901. £	s.	d.		1902. £	s.	d.
Mansfeld	50	1	0	...	43	5	9
Upper Harz	33	18	0	...	34	3	0
Siegen-Nassau	45	4	0	...	39	6	0
Other districts right of the Rhine	40	13	0	...	39	3	0
Other districts left of the Rhine	36	2	0	...	34	0	0

It is often interesting to see ourselves as others see us, and this is a picture of British labour drawn by two German State mining officials who had been sent here to spy out the land :—

"Wages in the mining industry of Great Britain are, as a whole, higher than in Prussia ; the working hours, however, in the four or five regular working days per week are longer in England than in Prussia. . . . The English miner, apart from Northumberland and Durham, works longer day shifts, Saturdays excepted, than the German miner. Throughout the whole year, however, he works fewer shifts than the German miner, and he employs more frequently than the latter a whole day or half a day for recreation, amusement, and attendance at meetings. His higher wages allow him to incur the necessary expenses. The English miner employs his higher wages in better eating and drinking, that is to say, in procuring better and more nourishing food. Hence the greater working capacity of the Englishman."

It is a German coal miner also who speaks in a revealing little book written not long ago with the title "How the English Workman Lives,"[1] and the following is his impression of German and English conditions of labour :—

[1] By Ernst Dückershoff (published in translation by P. S. King & Son).

"In my opinion, the workman makes and maintains a home more easily in England than in Germany. It might be thought that a German workman ought to be able, with diligence, to save a little. But, on the other hand, where living is cheap, wages are low. If the workman goes nearer the town, where wages are higher, he finds rent and provisions are higher, too; and if he wants to rent a piece of ground, the owner cannot put too high a price upon it. I have tried in every way to effect some saving, but to no purpose. My monthly average in Germany was eighty marks (£3 8s. 4*d.*). Here I received during 1895, according to the colliery books, £77 11s. 7*d.* It must be admitted, however, that I was favoured, because I had to fetch my wife and four children out of Germany. I know well that I can make something out of two years' work here, for saving is easy to a German where it is hard to an Englishman, because the latter makes more demand upon life. The chief advantage of all is the cheapness of flour. If everything else is wanting, at least one can always get bread. I have talked over the subject with many Germans round about, and have often received the answer, 'Germany is all very well if one has English money to spend in it.'"

Again, the average yearly wages of the musical instrument makers—representing in Germany a very important industry—were in 1888 £35 15s.; in 1899 they had risen to £36 9s.; in 1900 they were £33 18s.; and in 1901 £36 8s.; an increase of 13s. a year in eleven years.

So, too, the wages of masons run from 5*d.* to 7*d.* per hour, and it is not without significance that the majority of the strikes which take place in Germany fall to the building trades. Thus in 1903 the masons of Königsberg struck work to

secure an advance of wages from the ruling rates of from $4\frac{1}{2}d.$ to $5\frac{1}{3}d.$ an hour. After thirteen weeks' idleness they were successful in securing an immediate advance to $5\frac{3}{4}d.$, with a promise of $\frac{1}{4}d.$ more in 1904, but the victory lost the funds of their trade union some hundreds of pounds.

A calculation made by the trade unions of the Saxon textile industry in 1903 showed that the average wages of employees in that industry, including overseers, only amounted to £32 15*s.* per year. A contributor[1] to *Schmoller's Jahrbuch* in 1903 gave the following comparison of standard wages in Germany and England, based on inquiry in both countries; I have added, where possible, the corresponding figures published in the Board of Trade's fiscal Blue Book:—

	Germany.	United Kingdom.	Board of Trade Blue Book.
	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.* £ *s.* *d.*
Coal miners	1 1 0	1 13 11	1 12 0 to 1 19 0
Iron workers	0 18 3 to 2 1 2	1 4 6 to 2 10 0	.. ..
Turners	1 6 0	1 13 0	1 15 0 to 1 18 0
Machine makers and fitters	1 4 6	1 13 0	1 15 0 to 1 18 0
Smiths	1 7 5	1 13 0	1 16 0 to 1 18 0
Pattern makers	1 4 9	1 18 0	1 17 0 to 2 2 0
Shipwrights	1 5 10	1 14 0	.. ..
Coppersmiths	1 3 5	1 6 0	1 16 0 ..
Masons	1 1 7	1 13 9	1 19 2 to 2 3 9
Carpenters and joiners	1 2 4	1 12 9	1 18 3 to 2 3 9
Wood turners	0 18 5	1 10 0	.. ..
Pottery workers	1 2 7	2 7 0	.. ..
Woollen weavers and spinners	1 0 7	1 0 0(?)	.. ..
Cotton spinners	1 0 0	1 15 6	.. ..
Cotton weavers	0 12 6	0 18 0	.. ..
Shoemakers	0 18 1	1 15 0	.. ..
Compositors	1 8 5	1 15 0	1 12 3 to 1 18 0
Seamen	0 12 9	0 15 5	0 15 0 to 1 2 6

[1] W. Hasbach, "Zur Charakteristik der englischen Industrie."

The statistics published by the Board of Trade give the weekly wages of skilled workmen generally in German towns as from 22*s.* 6*d.* to 24*s.*, against 36*s.* to 42*s.* in England.

To take more general computations, according to statistics of the Imperial Insurance Office, the average yearly earnings of the working classes are £36 15*s.*, or 14*s.* 1*d.* per week, 65 per cent. of the total wage-earners receiving less than £40, and 85·5 per cent. less than £50 a year. Further, the number of persons assessed to income tax in Prussia in 1903 was 3,897,782, and the total assessment was £9,317,700, but while there was an increase in the assessments as compared with the previous year of 135,735, there was a reduction in the tax of £123,900. Of a population of 35,000,000, over 20½ millions were free from income tax owing to the family income not exceeding £45. Of the population exempted, 7½ millions fell to the towns, and 13 millions to the country. Of the 14½ million persons whose collective incomes were assessed, 88·15 per cent. fell to the schedule between £45 and £150. Only two-fifths of the households of the country had an income exceeding £45. So, too, in Saxony 1,785,471 persons were assessed to income tax in 1902, but of these 188,770 were found to come within the exemption income, viz., £20. Of the rest 984,308 had an income of between £40 and £80, and only 235,970 persons in the whole country exceeded the last-named amount. And speaking of Saxony, the

returns of the Dresden Sickness Insurance Fund show that in April, 1903, only 41·3 per cent. of the 51,945 male members received weekly wages exceeding 22*s.* 6*d.*; 32·4 per cent. received from 16*s.* 6*d.* to 22*s.* 6*d.*; and 26·3 per cent. received less than 16*s.* 6*d.* The 27,237 female members had the following earnings: Over 22*s.* 6*d.*, 1·8 per cent.; from 19*s.* 6*d.* to 22*s.* 6*d.*, 1·6 per cent.; from 16*s.* 6*d.* to 19*s.* 6*d.*, 4·9 per cent.; from 13*s.* 6*d.* to 16*s.* 6*d.*, 10·3 per cent.; from 10*s.* 6*d.* to 13*s.* 6*d.*, 33·5 per cent.; from 7*s.* 6*d.* to 10*s.* 6*d.*, 32·4 per cent.; from 4*s.* 6*d.* to 7*s.* 6*d.*, 11·4 per cent.; under 4*s.* 6*d.*, 4·1 per cent. Nevertheless, the frugal Saxons are pre-eminently a saving people. The deposits in the savings bank of Saxon averaged per head of the population for the whole of the monarchy:—1877, 102·7 marks; 1882, 118·5 marks; 1887, 154·4 marks; 1892, 175·5 marks; 1897, 220·7 marks; and the number of depositors varied as follows at the same periods: 1877, 1 for every 3·60 of the population; 1882, 1 for every 2·96 of the population; 1887, 1 for every 2·27 of the population; 1892, 1 for every 2·1 of the population; and 1897, 1 for every 1·8 of the population.

But the true significance of the prevailing rates of wages is not their lowness but the fact that they are supposed to represent that "protection of national labour" which it is the purpose and object of customs duties to assert. It must also be remembered that these wages remunerate far

longer hours of labour than are usual in England. The average is 11 or 11½ hours per day, or 64 to 68 per week, for work continues on Saturday until five or six o'clock; and the conditions of employment otherwise still leave much to be improved, especially in regard to the place taken by women and children in the factory.

Granting, however, that wages are higher than formerly, yet so also is the cost of all the commodities of daily use, so that the working classes have at best gained the questionable exchange of living on a higher scale, not of life but of prices. According to the Statistical Bureau the old corn duties represented a tribute of 30*s.* per family all the country through, so that a working man had to give at least ten days' work at 3*s.* a day in this single tax. This estimate is confirmed by the results of independent investigations. Estimating the incidence of the corn duties upon working men's incomes on the basis of seventy-five actual household budgets, P. Mombert found that when the duties stood at 35*s.* per ton they represented a tax of 3·64 per cent. of the average income in this article alone, while the duties under the new tariff of 55*s.* per ton will amount to a tribute of 5·57 per cent. or 1*s.* 1¼*d.* in every pound of earnings. To this come, however, other charges which are collectively even more serious—a duty of 2*d.* and 2½*d.* per lb. on meat, a duty on butter and margarine equal to 1¼*d.* in the shilling spent,

$1\frac{3}{4}d.$ in the shilling on cheese, $4\frac{1}{2}d.$ on baked goods, $2\frac{3}{4}d.$ on rice, $9\frac{1}{4}d.$ on petroleum, $2d.$ on cooking oil, $1\frac{1}{4}d.$ on salted herrings, not to speak of still higher duties on less indispensable articles like coffee and tea. It has been estimated by the Board of Trade that while 100 shillings, spent on the ordinary commodities of working-class consumption, would buy in England during the years 1897 to 1901 as much as 140 shillings bought in 1877 to 1881, they would only buy in Germany as much as 112 shillings bought aforetime. There may be heat—but is there not also light?—in the words of a German writer who recently voiced the protest of the working classes upon this subject:—

"On penalty of death, nature compels us to eat, and so on penalty of death we are compelled to pay the bread and meat taxes. The man who fails to pay his direct taxes may have his goods distrained, but he cannot be punished. But the man who is unwilling to pay the taxes on bread and meat must die of hunger. It is a truly diabolical system. For by the increasing burdens on the food of the people civilisation in general is deteriorated, the masses are placed in the unworthy position that they can only satisfy their most urgent needs, while the resources of culture which they create are monopolised by those who have no right to them save the fact of possession. The system of indirect taxation is in direct antagonism to civilisation."[1]

Nothing could better illustrate the practical

[1] "Die Lebensmittelzölle und die indirecten Steuer," 1903.

working of the protective laws and regulations in their relation to the food of the people than the following incident, reported from Berlin by a London newspaper on September 12th, 1902:

"No fewer than seventeen meetings were held simultaneously in Berlin yesterday, to protest against the high prices of meat. All the meetings were crowded, and in most instances the police had to close the doors to prevent dangerous crushing. Each hall was surrounded by crowds of people who were unable to obtain admittance. The prices have gone so high that for the workman's family meat has become almost impossible, and in the poorer districts in the provinces the consumption of meat has become nil, and in consequence sickness is said to be rife in many places. The cause of the high prices is considered to be the strict frontier regulations as regards the import of foreign meat and the Inspection of Meat Law of June, 1900. Under the pretext of preventing the importation of diseased cattle and meat, the agrarian cattle breeders' petition for the almost total closing of the frontiers to foreign meat by making the conditions stricter was granted. By the new Inspection of Meat Act the importation of fresh and pickled pork is prohibited, and as the supply of German-bred cattle is insufficient, the result is scarcity, coupled with high prices."

The consequences of low wages and dear food are, as might be expected, an inferior standard of life, insufficient nutrition, and impaired vitality. A German authority has estimated the following to have been the consumption of various articles of food in his country and in England in 1896-7:

	Estimated consumption in kilogrammes (of $2\frac{1}{10}$ lb.).	
	In Germany.	In England.
Corn	139	157
Potatoes	439	146
Rice	2·35	2·9
Sugar	12·3	38·5
Fruit	2	6·5
Cocoa	·27	·28
Coffee	2·53	·39
Tea	·5	2·61
Meat	41	59

The statistician, Dr. F. Hirschfeld, has shown that amongst German families with an income of under £75 yearly the daily consumption of bread —rye-bread exclusively—and potatoes varies from 500 to 750 grammes. Amongst families with an income of from £300 to £500, however, the consumption of bread (here wheaten bread for the most part) and potatoes is only from 150 to 200 grammes, for a more substantial diet, in which meat takes a prominent place, is here customary. According to the Fiscal Blue Book of 1903, an examination of 282 English urban working-men's household budgets showed an average consumption per family of 1 lb. 5 oz. of meat per day. An investigation made in Nuremberg gave $\frac{1}{2}$ lb. per family, and an investigation at Königsberg gave nearly $\frac{3}{4}$ lb. The German Imperial Health Bureau lays down the principle that an adult requires for his physical efficiency a minimum consumption of 150 grammes of flesh food daily, or about 1 kilogramme, or under 2 lb. 2 oz.,

weekly. Yet the average consumption for Germany, taking the rich with the poor, is placed at 1 lb. 3 oz. In a recent Press prosecution at Saarbrücken pastors residing in that mining district testified that "they knew colliers' homes in which no meat came on the table the whole week through; bread, coffee, and potatoes formed the colliers' principal food." How the pressure upon wages deteriorates the food supply may be illustrated from an address given before the Association for the Advancement of the Interests of the Chemical Industry in Berlin in September, 1903, by the general secretary of that organisation, who, in comparing the condition of the working classes in 1902 and 1901, said:—

"The standard of life of the workers has considerably worsened. The place of nutritious bread has to a large extent been taken by cheap potatoes: the consumption of meat, which has become dearer, has greatly decreased; and that of the most indispensable luxuries, as sugar, coffee, beer, tobacco, &c., has also diminished. The consumption of rye fell between 1901 and 1902 from 147 to 137 kilo. per head of the population, that of wheat from 91 to 85 kilo., that of sugar from 12·3 to 11·6 kilo., that of coffee from 3·01 to 2·95 kilo., while simultaneously the consumption of potatoes increased from 604 to 732 kilo., and that of herrings from 3·59 to 4·06 kilo. So, too, the consumption of meat decreased. During the first half of 1902 there were slaughtered at abattoirs 197,000 fewer pigs than in 1901, while in eleven towns the consumption of horse flesh increased from 35 to 200 per cent."

In confirmation of the above the German *Labour Market Correspondence* for December, 1901, reported that the average price of provisions had increased 7½ per cent. at Leipzig, and at Chemnitz and other Saxon towns 12¼ per cent. So, too, Dr. G. Creuzbacher, in his inquiry into the food consumption of the town of Munich, shows that the consumption of meat has decreased even in that well-to-do city during recent years. While the population of Munich increased between 1881 and 1900 109·75 per cent., the consumption of meat only increased 81·33 per cent., the decrease per head being from 94·8 to 81·8 kilogrammes. The official market returns give the following comparison for the years 1896 to 1901:—

Year.	Dead Meat sold in double cwts. (100 kilo.).	Population.	Per head of the population. In kilo.
1896 ...	328,268 ...	415,000 ...	79·1
1897 ...	338,224 ...	430,000 ...	78·6
1898 ...	342,468 ...	446,000 ...	76·8
1899 ...	360,597 ...	466,000 ...	77·3
1900 ...	381,625 ...	490,000 ...	77·9
1901 ...	375,285 ...	503,000 ...	75·2

In English weight there was a reduction in the consumption of meat during this period of from 166 to 158 lb. per head of all classes, the latter still a large average as German meat consumption goes. Meanwhile, the consumption of horse flesh has increased—a sinister fact whose significance cannot be misunderstood. In 1896 the number of

following comparison between his own country and England:—

"England is certain of a peaceful solution of its social perplexities and antagonisms. No Englishman doubts this, whether he be Conservative or Liberal, workman or employer. Nowhere does there exist in England that tendency to social pessimism which is so common amongst ourselves; nowhere in the lower classes of society exists the belief that salvation can only be found in the subversion and the destruction of the existing order; nowhere in the upper classes the idea that the chief thing is to do all that is necessary beforehand in order that 'the sword may be drawn with a good conscience.' . . . Nowhere does the economic investigator meet on the part of the English workman that deeply-rooted mistrust which causes the German workman to regard every man with a better coat than himself as an enemy and most probably as a secret policeman. The English people form *one* nation. That is what I understand by social peace—not a condition that leaves no room for improvement, for such a state of things will never exist in this world."

It may be that his own dark outlook has disposed the writer, in judging England's social condition, to an optimism which facts do not fully justify. Hence the mood of hopeful humility rather than of complacent satisfaction befits the Englishman who reads observations like the foregoing. Yet that the writer correctly characterises the thought and attitude of the working classes of his own country no one will doubt who has studied at close quarters the momentous political movement which convulses Germany at the present day. The fervent hope of such a one must be that no considerations

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CHAPTER XII.

AGRICULTURE UNDER PROTECTION.

"THE corn and cattle-producing industry," said Prince Bismarck in the 'seventies, "has been treated like a step-child." It soon became evident, however, that once the State owned blood relationship, there would be no lack of readiness on the part of the neglected offspring to accept and to claim full recognition of parental obligation. Admit it to be the duty of the State to protect agriculture or any other industry from the effects of foreign competition, and there is logically no limit to the lengths to which that protection should go. If the degree of injury or defencelessness be the test of claim to legislative help to-day, to refuse to apply that same test to-morrow, and alter the law accordingly, is an untenable inconsequence. And even if it be discovered in time that resort to artificial measures of relief has had the effect of producing a false sense of security, and of preventing the protected industry from adjusting itself to the adverse conditions by adaptation, by improved methods, by new direction of effort and enterprise, who shall blame it? It has been put on a wrong course; the spirit of self-help has been sapped; expectations have been created

which cannot be summarily denied as illegitimate; in short, the State having once assumed responsibility, it can hardly do otherwise than continue to shoulder its own burden, increasingly heavy though the weight may from year to year become.

Looking back, and reflecting upon the gradual growth of protective legislation in the interest of agriculture, and the immense sacrifice which it has imposed upon the community as a whole, it may be a debatable question whether the State would not have done better, before the first irretrievable step was taken, had it made this industry either a single free gift or a periodical grant ample enough to enable it not merely to tide over the difficulties of the moment but so to transform and ameliorate the conditions of tenure, credit, and culture that for the future the competition of the foreigner might have been overcome by a combination of greater efficiency, energy, and productivity. The capital sum would have been large, no doubt, but it would have been far less than the accumulated yearly sacrifices of a quarter of a century, and agriculture might to-day have been prospering without Protection where it is languishing with it and in spite of it. A hundred million pounds is an amount which, even in these expansive days, is still beyond the dreams of an average avarice, and it would have accomplished wonders in extinguishing inherited incumbrances of debt, in multiplying the peasant proprietary, in facilitating the division of great unwieldy estates

which their titular proprietors are unable to own, much less to work, profitably, and in bringing the entire pastoral industry abreast with the technical, mechanical, and scientific requirements of the time. And yet a bounty so liberal as this would only have meant an annual interest charge of three millions a year, spread over the entire population, whereas the corn duties have long entailed an indirect tax estimated at from thirty to forty millions a year, confined to the consumers, and at the end of all the corn-grower declares that his position is more desperate than before.

When this objection is taken the corn-grower is always ready with his answer. "But for Protection," he says, "we should have been worse off than we are." No assertion might appear more reasonable; in reality none is more disputable. For just as the inevitable effect of protective duties is to encourage the foreign grower to aim after cheaper production, their effect upon the home grower is to discourage him from exerting himself, and this is what has occurred in Germany. In proportion as Germany's competitors have succeeded in overcoming the tariff obstacles placed in their way, her own agriculturists have allowed themselves to be lulled into a condition of apathy and false security.

"No one can guarantee," writes Dr. A. Schulz, "that the artificial increase of profits will stimulate agriculturists to extended production, to the purchase

of more labour, and to more intensive culture. On the contrary, experience teaches that protective duties of this kind tend greatly to perpetuate technical anachronisms and outlived economic methods, while the free play of international competition has proved the most effective incentive to the greatest possible development of agricultural productivity."

It is also notorious that the corn-growing industry in Germany is handicapped by heavy mortgages, which in turn cause a lack of working capital, and often make enterprise impossible even where there is the best disposition to employ it. So long ago as 1883 it was estimated that the mortgages upon the agricultural estates of Prussia amounted to some £500,000,000, or five-twelfths of a sale value of £1,200,000,000. Accurate data are not, however, available, and the only official light thrown upon the subject consists in the fact that during the ten years 1886 to 1896 new mortgages to the extent of £324,500,000 were registered, and mortgages to the value of £233,500,000 were cancelled, giving a debit difference of £91,000,000, though these figures take no account of earlier debts. The late Dr. Miquel, while still Minister of Finance, endeavoured to come to a more exact estimate of the indebtedness of the landowning class, by means of the assessments under his new income tax, and though the material was imperfect, he concluded that the interest on debts varied from 14 per cent. (in the Aix-la-Chapelle district) to 60 per cent. (in the Bromberg district) of the total agricultural rent,

and taking the whole monarchy, to an average of 33 per cent. As the rent of land in North and East Prussia increased 100 per cent. during the past century, Dr. Schäffle contends that if the condition of the great estates had been sound the fall in prices would not have been disastrous. There had been worse falls of prices before—as when the price of wheat fell from £11 14s. and £14 10s. in 1816–1819 to £4 9s. in 1820–1822 and £4 3s. in 1825—yet agriculture had not only survived but had regained prosperity. In 1891, indeed, the price of wheat, at £12, was temporarily higher than since 1871.

Dr. Schäffle enumerates, among the defects of the land system which are responsible for the present decadence of agriculture, the overpayment of estates on hereditary transfers or open purchase, entailing perpetual financial embarrassment, and the lack of intensive cultivation, due to deficient capital and often lack of knowledge, seriousness, and concentration on the part of the large landowner himself, who seldom follows agriculture as a practical calling, and lives rather the life of a leisurely nobleman or of a politician. A further disadvantage which handicaps the large estate, especially in the North of Germany, is the character of the agricultural labourer, in whose education and enlightenment his employer too often takes no interest whatever. Baron von Hammerstein, ex-Minister of Agriculture, touched a sore place in the agrarian body politic when

on January 29th, 1895, he said in the Prussian Diet :—

"The German middle classes have gone through many crises, and I believe they will tide over the existing one also. The great landed proprietors will find that they can do likewise if they draw the right moral from their present distress and devote all their intelligence to the management of their own property. This crisis, like all others, demands its victims, whether their fate is merited or not, and it is the duty of the State to reduce their number as far as possible. I would warn you once more against pessimism, and would beg you to display in the time of need energy, industry, and economy."

A memorial which was circulated by the Ministry of Agriculture amongst the members of the Prussian Diet in 1897 complained strongly of the opposition shown by the larger peasants, and still more by the great landowners, to agricultural continuation schools, and nowhere so much as in the Eastern Provinces. A Prussian journal, published in the interest of continuation schools, said quite recently—

"It is lamentable that so very many of our farmers pay more attention to the care of their horses and cattle than to the training of their own sons or of their servants. Such short-sightedness cannot bear good fruit in a time when the farmer has to meet so many increased demands, and when, if he would succeed, his employees must be more efficient than in olden times."

When we inquire into the effect of protective duties in encouraging home agriculture to supply the needs of the nation in food, the result is

was 13,896,984 hectares, or 606,652 hectares more, an average increase of 46,604 hectares. Thus:—

	Hectares.			
	1888.	1896.	1901.	Increase or Decrease, 13 years.
Rye	5,841,841	5,982,180	5,954,973	+ 113,132
Wheat ..	1,919,278	1,926,885	2,049,160	+ 129,882
Barley ..	1,742,386	1,676,329	1,670,033	− 72,353
Oats	3,786,827	3,979,643	4,122,818	+ 335,991
Total ..	13,290,332	13,565,037	13,896,984	+ 606,652

The result of the consequent shortage of production has been largely increased imports, and it is difficult to see how, short of absolute prohibition, producing an intolerable condition of scarcity, these imports could have been checked.

Germany to-day must still buy abroad the corn needed by one in every nine of her people, and that fact is sufficient to prove that the duties cannot be without influence upon prices.[1] Where there is a margin between production and consumption the "natural" play of competitive influences will tend to produce a "natural" price. Where a country cannot feed itself, and there is

[1] Count von Caprivi said in the Reichstag on June 1st, 1891: "We are dependent on corn imports; Prussia ceased years ago to be a corn-exporting country. We are compelled to import corn, and the more the population increases the more will that obligation increase. In general, we pay for corn the universal market price plus the duty."

and must be a regular deficit, the price of the imported grain with the duty added will determine the universal market price of the entire home consumption. An exact equivalence between the price of home produce and that of the duty-paying imports cannot be expected, for there will always be deviations according to local circumstances in a large country offering greatly divergent conditions of transport, density of population, and standard of life; but a fair approximation is certain, and is, in fact, found in Germany. It is a notable fact that the agrarians long ago abandoned Bismarck's favourite theory that protective duties would not advance the price of corn. Here, at any rate, they have learnt a lesson from experience. Thus Count Schwerin, one of the leaders of the party, stated in a speech in the Reichstag at the beginning of the present year that the failure of the Government to negotiate new commercial treaties on the basis of the increased tariff before the end of 1903 had entailed upon the corn-growers a clear loss of over £5,000,000.

"The German corn so far as it reaches the market amounts on the average of recent years to over 7,000,000 tons. The difference in duty between the existing treaty tariff and the minimal rates of the new tariff will run to £1 per ton. Even allowing that of this £1 a portion will be borne by the foreigner and that the new tariff will only increase prices 15s. instead of £1 per ton, it is evident that, since German agriculturists will be compelled to sell their crops for 1904 under the old tariff, they will suffer a loss on corn alone of over

105,000,000 marks. Equal, or at any rate similar, losses will naturally be suffered on other produce of the land, and especially on cattle and timber."

Even assuming with the agrarian leader that the corn-growers received a bounty of only £5,250,000, by reason of the late increase of the duties, it follows that upon the entire duties henceforth leviable they would on the same ratio benefit to the extent of £15,000,000 on the small computed purchase of 7,000,000 tons of home-grown grain, which is an amount far below the mark, and which would still have to be supplemented by the imported supplies. But the best index to the cost of the corn duties is found by a comparison of prices in Germany and in a Free Trade country. According to Conrad the price of wheat in Berlin and London at various periods was as follows:—

	1879–83.	1884–85.	1886–90.	1891–95.	1899.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
London ..	10 0 0	7 13 5	7 2 8	5 19 9	6 0 8
Berlin ..	10 5 0	8 1 6	8 14 3	8 6 2	7 15 3
Increase in Berlin	0 5 0	0 8 1	1 11 7	2 6 5	1 14 7
Amount of duty	0 10 0	0 10 0	1 10 0	2 10 0 reduced to 1 15 0	1 15 0

The approximation between the higher Berlin price and the amount of the duty is too close to be merely accidental. It will be seen that while between the years 1879 and 1899 the price of wheat fell in Berlin £2 10s. per ton, it fell in London £4.

Again, the price of wheat in England in the wholesale market during the years 1890 to 1900 ranged from £5 7s. to £8 13s. per ton, falling in the latter year to £6 7s., while in Prussia the price ranged from £6 15s. to £11 2s., falling to £7 15s.; in Bavaria from £7 2s. to £11 15s., falling to £8 3s.; in Baden from £7 9s. to £11 11s., falling to £8 11s.; and in Saxony from £6 12s. to £11 3s., falling to £8 6s. in 1899. Comparing the figures for the later year, we get the result —England, £6 7s.; Prussia, £7 15s.; Bavaria, £8 3s.; Baden, £8 11s.; Saxony, £8 6s.; giving an average for the German States of £8 3s. 9*d*., or £1 16s. 9*d*. more than the English price, the German duty being £1 15s.

Long before the tariff had by repeated revisions been brought to its present height the agrarian party declared in a formal manifesto to the nation:—

"Agriculture does not wish to enrich itself at the cost of others; it only wishes to see the average prices of the last fifteen years fairly maintained, since lower prices would mean its destruction. . . . Expert authorities on German agriculture declare it to be beyond doubt that Germany can itself produce the present excess of corn imports if only it be fostered more than hitherto, more after the example of Frederick the Great."

At the time these words were written the duties on food-corn were fixed at 10s. per ton: they now vary from £2 10s. to £2 15s., and if the agrarian party had had their way they would have been £3 15s. all round.

It is more difficult to follow the effect of the duties upon live stock, the imports of which depend upon many factors independent of protective measures. Where there has been a falling off here it has probably been due less to duties than to sanitary restrictions. Yet the effect upon prices, and hence upon the cost of meat, has been none the less perceptible, while writers qualified to speak from the breeder's standpoint are by no means unanimous in regarding the exclusion of foreign live stock as either judicious or economical. The Hungarian writer Matlekovits[1] says:—

"Whether it is good for the national economy of Germany that the cheaper cattle of Austria-Hungary should not only be excluded from the food market, but should be rejected for labour and breeding purposes, and that in this way the cost of meat should be artificially increased, and the German working classes should be prevented from consuming a larger amount of flesh food, and the German farmer be prevented from buying strong young cattle for draught, breeding, and feeding purposes from neighbouring countries, it should no longer be necessary to discuss in a country whose famous writers, Roscher at the head, have described the development of cattle breeding in so masterly a manner. Agrarianism has many errors to its account, but that it should have inflicted injury upon itself by prohibiting the import of cattle out of countries of less intensive agriculture, and for the same purpose should have had resort to sanitary restrictions, is one of the greatest of all, and belongs to those mistakes that can inflict the greatest disasters upon a country's entire economy."

[1] "Die Zollpolitik der Oesterreich-ungarischen Monarchie seit 1868" (1891).

Time will alone show how wise the agrarians have been in insisting upon measure after measure of restriction and exclusion until the live stock of the country is to-day less relatively to population than it was thirty years ago. The following was the ratio to every hundred of the population in different years:—

	1873.	1883.	1893.	1897.	1900.
Cattle...	38·4	34·5	34·5	35·4	33·7
Sheep...	60·6	42·2	27·8	27·8	17·2
Pigs ...	17·4	20·1	20·1	27·3	29·6

The extent to which the price of meat has increased and the effect of that increase upon the diet of the working classes have already been considered.

Furthermore, it is a mistake to suppose that the corn duties favour agriculture equally or even generally. In the opinion of many, far from benefiting the small peasantry the system of Protection has exposed them in a still greater degree than before to the competition of the larger landed proprietors. The leaders of the agrarian movement profess to advocate the cause of agriculture as a whole, and endeavour to convince the small farmers that their interests are in every respect identical with those of the great landowner. That pretence was long ago exploded, and is indeed inconsistent with the attitude of a large part of the so-called *Kleinbauern* (small peasantry) who neither sought further Protection nor desired it, believing that it could only tend to their

impoverishment. Higher corn duties, in fact, are only beneficial to the great producers—to the owners of large estates supporting little population. The peasantry of the smaller communes produce corn in the main for consumption, and but little, if at all, for sale, and are often, indeed, unable to supply the whole of their needs in grain, so that they have to purchase the deficiency in the market. Most of these small farmers largely continue to follow the old plan of having their corn threshed for them in the neighbouring mills. To the extent that they use their own grain, it is a matter of little importance to them whether the duties are high or low. Directly, however, they become buyers they begin to feel the pinch like the urban consumer, and they are shrewd enough to recognise that for their wealthy neighbours the game of Protection is one of "Heads we win, tails you lose." Not only so, but under the tariff these small farmers have to pay more heavily for their implements and imported manures. How large is this class of cultivators may be judged from the occupation census of 1895. In that year the number of persons following agriculture for their subsistence was 17,815,187, of whom independent farmers with the members of their families numbered 11,300,108 (about 2,000,000 being dependents—children or other relatives employed for wages), while the remaining 6,500,000 were in the main labourers. In round numbers 25,000 large owners divide one-quarter of the land between

them; then come 281,000 large peasant proprietors, owning together one-third; making 306,000 persons to 54 per cent. of the soil. Here the corn-grower's interest in protective duties is obvious enough. But then follow in order of territorial importance no fewer than 5,250,000 smaller cultivators—proprietors and leasehold tenants—of whom about 1,000,000 hold between 5 to 20 hectares (7½ to 50 acres), 1,016,238 from 2 to 5 hectares (5 to 7½ acres), representing an aggregate area of 4,142,000 hectares; and 3,236,000 with 2 hectares and under, with an aggregate area of 2,416,000 hectares. Two successive Chancellors of the Empire, Count von Caprivi and Prince Hohenlohe, agreed in accepting the estimate that only corn-growing farms of at least five hectares have any interest at all in the increase of the price of corn, which means that only from one-fourth to three-tenths of the entire agricultural industry is affected one way or the other. The larger estates, exceeding five hectares, comprise an area of 36,727,000 hectares, the small ones an area of 6,558,000 hectares. Prince Hohenlohe stated the matter pointedly in a speech of March 29th, 1895, in which he said:—

"Holdings under 12 hectares have no corn to sell, but on the contrary are for the most part themselves buyers. Holdings of 6 hectares and below, even with good soil, are at best able to cover the corn needs of the owners and their families. The number up to 12 hectares comprise four million holdings, or 76 per cent. of all the agricultural holdings. Reckoning

3½ persons per holding, they represent a population of fifteen millions, who with relatively few exceptions suffer direct loss owing to the increase of the price of food. . . . Thus there remains a population of four millions for whom the Kanitz proposal [of fixed corn prices guaranteed by the State] offers advantage."

At the highest computation, a million members of the agrarian class, or less than a quarter of the whole, monopolise the entire advantage of the duties, and do this to the direct prejudice of the majority of their fellow agriculturists and to the injury of the entire consuming community. As to population, this privileged class represents at the outside between four and five million persons —the estimate of Prince Hohenlohe, as we have seen, was only four millions—out of a total population of fifty-six millions. The agrarians can, however, be cited in evidence against their own contention that Protection is a universal interest of agriculture. Not long ago the German Agricultural Council, with the object of supporting the demand for higher duties, instituted inquiries relative to 1,524 holdings, and received the unexpected information that only 26·4 per cent. of the receipts from these farms, which had an aggregate area of 518,000 acres, came from corn; 40·6 per cent. came from cattle, butter, and cheese, and 16·3 per cent. from rape seed, sugar, beet, and potatoes. The proportion which fell to corn in so pastoral a State as Bavaria was as low as 15·5 per cent. It is significant also that Dr. Rubow, who recently investigated the agricultural economy of

the rural commune of Schwessin, in Pomerania, with a view to discovering the practical value of the corn duties, found that only one farmer regularly produced corn for sale, and even he could only spare from two or three tons of rye a year, though he had twenty-four hectares (60 acres) of arable land. Only in time of financial need did any other of the peasants sell either rye or oats, and then only a few hundredweights. Taking the whole of the 205 farmers, he found that they did not sell ten tons of grain a year, and that the total revenue from this source was only £60, or 6s. a head. Not only so, but every single peasant was compelled to buy grain of some sort in order to supplement his own produce. Hence the corn duties were a positive injury to this rural commune, and there are hundreds like it. Dr. Rubow found that the aggregate produce of the commune amounted to 713 tons; while, on the other hand, the consumption of corn for bread, for stock-feeding purposes, and for seed was 925 tons, leaving 212 tons to be purchased. The duties upon this purchased corn represented a loss to the commune of £334 10s., and the new duties will increase this loss to £476, or as much as would liquidate the whole of the communal taxation.

Facts like these—and it is the small peasant's tardy recognition of them which accounts for the decadence of the agrarian movement in some districts which were formerly strongholds of the famous League—emphasise not only the unfairness

of the corn duties, even from the cultivator's standpoint, but the hollowness of the cry of "Agriculture in danger!" which imposed upon the too ready credulity of Count von Bülow, who throughout the recent tariff controversy acted rather as the advocate of the great proprietors than as the spokesman of the common interest. It is not German agriculture, but the system of large, ill-managed estates which has been handed down from feudal times, that is imperilled, and to the latter every successive increase of the corn duties, though it may afford relief for the moment, is in truth both a warning and a menace. The healthiest part, perhaps the only healthy part, of the agricultural industry in Germany to-day is the so-called *Kleinbetrieb*—that system of *petite culture* of the value of which John Stuart Mill was so sensible, and which accounts so largely for the comparative wealth of rural France.

"In all German States [wrote a German economist recently] the larger the system of agriculture the more it is threatened by forced sales. The large system of farming cannot compete with the small, because corn-growing is not as remunerative as the breeding of cattle and the production of meat. . . . To-day the peasant, in spite of his less intelligence, is economically superior to the large proprietor. Hence in the East of Germany every division of a large estate must be regarded as a sign of economic progress."

Slowly but surely this lesson is being learned. Official returns show that during the years 1882 to 1895 there was an increase of 26,318 in the number

of farms in Prussia between 12½ and 25 acres, an increase of 17,152 in farms between 25 and 50 acres, and one of 1,445 in farms between 50 and 250 acres. On the other hand, there was a decrease of 852 holdings between 250 and 2,500 acres. Commenting upon these figures, an official statistician remarks:

"The farmer's calling has not lost in attraction, but on the contrary has greatly gained. The continual laments about the decay of agriculture have not prevented a large section of the population from turning to this occupation, a very striking fact the explanation of which is most likely to be found in the great development of cattle breeding."

It is significant also that comprehensive statistics prepared by the Government of Brunswick, and extending to the year 1897, show that the small peasantry are as a whole much less encumbered with debt than the large landowners.

Incidentally it may be noted that where a decline of population has taken place in rural Germany it has generally been in the districts in which large estates predominate, and that in districts where small proprietorships are in the ascendant population has increased. Thus there has been a larger decrease of population in the Prussian provinces of Pomerania, Posen, East and West Prussia, Brandenburg, and Silesia, than in other parts of the monarchy, and there it will be found that estates of 100 hectares and over form between 42 and 65 per cent. of the area devoted to agriculture. On the other hand, it is noticeable that

Saxony, a country free from the disadvantages under which the North and East of Prussia labour, reports not only a largely increased area of land under corn, but increased productivity, both in yield and in value. Between 1891 and 1897 its yield of wheat, rye, barley and oats was 772,690 tons ; in 1898 it was 856,644 tons, an increase of 83,954 tons. The value of the corn of all kinds grown in Saxony in 1898, according to Leipzig Produce Exchange prices, was £6,612,869, against an average for 1891–1897 of £5,721,309, an increase again of £891,560. Finally, there was a larger value per hectare of land cultivated of £1 16*s.*, viz., £13 12*s.* in 1898 against £11 16*s.* for the preceding seven years.

To recapitulate, that agriculture carried on under the combined disadvantages of unscientific methods, want of capital, an oppressed labouring class, and incompatibility with the changed needs of the times, could prosper is a flat impossibility, and it is only by the fallacious policy of increasing the protective duties from time to time, as the pressure of circumstances has increased, that the corn-growers of the North have been enabled so far to stave off the necessity of looking the hard facts of their position fairly in the face. There are, no doubt, many districts which, owing to the dryness of the soil and to climate, are unsuited to grazing, and are necessarily restricted to arable farming, but when all proper deductions have been made on that account, the fact remains that

unwillingness to change their ancient ways is a great cause of agricultural stagnation and decline in most parts of the country. And agriculture, as the great landowners understand it, will continue to be "in danger" so long as they refuse to take a lesson from the book of the small cultivators, who in Germany, as in Denmark and Holland, have held their own in spite of every disadvantage of restricted capital and lack of mechanical appliances of the most improved kind.

CHAPTER XIII.

THE AGRICULTURAL LABOURER.

"PROTECTION," wrote once Professor Adolf Wagner, one of the few Protectionists of the Chair in Germany, "will secure the home grain market, and so increase the income of the entire agricultural population." We have seen that it has failed entirely to secure the home market for the home grower, for the latter has either been unable or unwilling to claim that which was reserved for his exclusive use. The agricultural labourer has also waited in vain for the promised benefits. His condition in Germany is well worth studying. Happily there is to-day nothing in England that can be compared with the system of semi-feudalism which still prevails in North Germany east of the Elbe, a system under which progressive agriculture is almost unknown, and the labouring class is kept in a condition hardly to be distinguished from the serfage of a hundred years ago. In the discussion of the question of Free Trade and Protection it is too often assumed that the industrial labourer is the centre of the problem, and the labourer on the land is ignored. Yet unless the imposition of corn duties, with a consequent higher price of produce, higher rents,

and a higher value of land, not merely ameliorates the condition of the agricultural labourer but entirely raises his status in society and civilisation, Protection passes condemnation upon itself. Now it has been proved over and over again that, despite the decline of corn prices which took place during the second half of last century, rents on the whole increased to an enormous degree. While, however, the price of grain has fallen and the wages of labour have shown an upward tendency, many other articles of consumption and use, as well as rents and taxation, have advanced, so that the labourer's actual position is in general but little better. Not only so, but such progress as the agricultural labourer has made has been due less to the desire, or even the willingness, of the landowners to improve his position than to the competition for his services which was set up by the manufacturers in the 'seventies and onward. In the middle of the nineteenth century wages in North Germany rarely exceeded 9*d.* a day, and it was several years after the French war before they advanced to 1*s.* In the words of a recent German writer:—

"Agricultural wages have only increased in a time of sinking corn prices, when the development of industry led to such an increase of the workpeople therein engaged that the agricultural employers, in order to obtain labourers at all, were compelled to pay higher wages as well."

The best that Professor von der Goltz, one of the highest German authorities upon the land

question, can say of the position of the rural labourers is that

> "They and their families have an assured, if often a penurious subsistence, provided no unusual or unpropitious circumstances occur, such as the failure of the potatoes or of corn, whereby the earnings for threshing are reduced to a minimum, long sickness, or too numerous a family."

Unfortunately these "unpropitious circumstances" are of very frequent occurrence, and the "too numerous family" is the rule rather than the exception.

The rates of wages vary naturally in different parts of the country, but in general it may be taken for granted that the worst paid labour is that which is employed on the large corn-growing estates, and particularly those situated in districts like North and North-East Prussia, far removed from centres of industry. While on the Rhine and in Alsace rates of from 1*s.* 8*d.* to 1*s.* 10*d.* are usual, in Pomerania, the Mecklenburgs, and the more distant East, 6*d.* or 9*d.* a day is as much as an average labourer can count on. Taking all the provinces of Prussia together, the wages of out-workers vary from 1*s.* 6*d.* to 2*s.* per day in summer, and from 1*s.* to 1*s.* 4*d.* per day in winter. In 1892 the Association for Social Policy—which began its career in 1872 by declaring that "the rightful interests of the working class as against the egoism of the propertied class should be emphasised with moral pathos," and in 1879

approved "a moderate tariff reform in a financial-political and protective sense"—carefully investigated the wages of the agricultural labourers in Prussia generally, and found that the following rates per day ruled in the various provinces of the monarchy:—

Provinces.	Summer. Without board.		Summer. With board.		Winter. Without board.		Winter. With board.	
	s.	*d.*	*s.*	*d.*	*s.*	*d.*	*s.*	*d.*
East Prussia	2	0	1	2	1	3	0	$7\frac{1}{2}$
West Prussia	2	3	1	6	1	3	0	$7\frac{3}{4}$
Pomerania	2	3	1	9	1	$4\frac{1}{2}$	0	$11\frac{1}{4}$
Posen	1	11	1	3	1	0	0	8
Silesia	1	6	1	0	1	$2\frac{1}{2}$	0	$7\frac{1}{2}$
Brandenburg	1	9	1	3	1	$4\frac{1}{2}$	1	0

But in Upper Silesia to-day there are hundreds of farm labourers who only receive 6*d.* or 7*d.* a day. The average in the west of the Empire is 1s. 3*d.* or 1s. 4*d.* in summer, with a deduction of from 2*d.* or 3*d.* per day in winter. Women are paid, at the most, half the wages of men, and children only a quarter.

When we are told that in the more progressive and prosperous districts the wages are now as much as 50 per cent. higher than twenty years ago, the first reflection suggested is that the condition out of which the labourer has been raised must have been one of simple desperation. For, after all, how far has this 50 per cent. advance brought him? Quite recently a monograph was published by Dr. W. Rubow upon the social and agrarian conditions prevalent in the Pomeranian

rural commune of Schwessin, with a view to demonstrating the positive injury done to small peasant proprietors and tenant farmers by the corn duties. The writer says that the wages and standard of life of the labouring class in that part of Pomerania are far above the average of the province, yet, even so, a permanent labourer only earns 1s. a day the whole year round, with payments in kind which bring his entire pay to £27 or £30; while the day's wages of forest labourers for exhausting work are 1s. without extras. On the largest farms a hind receives £8 5s. in money (formerly £5 to £6), several pounds of wool, and material for clothing and shirts of a value of 15s., food which at 9*d*. a day comes to £13 14s., and a Christmas present of 10s., making a total of £23 4s. A maid earns £20 4s., made up of £4 10s. in money, £1 10s. in goods (three aprons, two lb. of wool, two dresses, twenty-four ells of linen, and four pecks of linseed), £13 13s. in food, and a Christmas present of 10s.

But such rates are princely as compared with the general run of North Germany. Upon many estates of East Prussia at the present time the entire income of a labourer and his family, inclusive of all payments in kind, does not exceed £20, and, indeed, the basis of earnings adopted by the insurance authorities, upon which compensation is awarded in case of accident, is in general exactly this sum. A Berlin workman who, from inability to find employment in his trade, hired

himself for a year upon a Mecklenburg estate, lately put on record his experiences, and a truly lurid light they throw on the social conditions prevalent in that backward part of the country. Of the result of his year's labour he says:—

"When I left I received in money 16*s.* 4*d.* All the rest of my earnings had been deducted for expenses or for clothing, which I had long ago used up. I could take nothing of this away save two old shirts and two pairs of old stockings. Sixteen shillings and fourpence was the whole of my wages for such long and arduous toil! I should have earned quite as much in the workhouse, without being compelled to such severe exertion, and I should have been less despised than I was while working as a free man in an honest occupation."

To take a case of municipal employment, the labourers on the great irrigation farm belonging to the city of Berlin receive wages varying from 1*s.* 10*d.* to 2*s.* a day in summer and from 1*s.* to 1*s.* 6*d.* in winter for men, and 1*s.* in summer and 10*d.* in winter for women, beside housing and a piece of land upon which to grow potatoes, the latter having a value of between £6 and £8. In money value the best paid labourers receive about 14*s.* a week, the less well paid about 12*s.* And the hours of labour thus remunerated number 12, 13, and 14 a day, according to the season; for a "normal" working day is fixed, if not strictly observed, viz., from 5.30 a.m. to 7.30 p.m. in summer (with pauses for meals), and from 6.0 to 6.0 in winter. Compare with the foregoing figures the statement of agricultural wages just published by the Board

of Trade, according to which the average earnings for England, taking the lowest into consideration, are 18*s.* 6*d.* (the maximum being 22*s.*), while a rural labourer can, as a rule, afford to spend 13*s.* 6*d.* a week upon the food of his family alone.

It is the general rule upon the larger estates that the landlord provides dwellings for his men, charging a small rent, which is counted as wages. Part of the pay takes the form also of a piece of land for potato growing, though the disadvantage of this arrangement is that the labourer is so hard worked that he has little time for work of his own, and unless he has a wife and children who are able to manage it for him the "allotment" runs a chance of being neglected. In general this system of payment in kind is carried to a very unfair length. It is very common for the greater part of a labourer's pay to take the form of corn and other produce, and of course this is cheaper for the landlord, since the *Naturalien* which he gives in lieu of money-wages are grown on his estate, and in reckoning their value he takes a fair market price; but the labourer would much prefer to be paid exclusively in money, so that he might know exactly how much he receives, and make his own arrangements for spending it. It follows, of course, that in so far as agricultural labourers are paid in kind, which for the most part means corn, they neither gain nor lose by the increased price of this commodity, save in so far as that price re-acts upon the prices of other commodities.

As to the housing of the rural labourer, only one opinion is possible: it is for the most part not merely inadequate and primitive, but unworthy of human beings, while the poverty of the people makes domestic comfort out of the question. Says Professor von der Goltz:—

"Often one finds only the most needful domestic utensils, and even they are defective, dirty, and scattered in every corner of the rooms. The bed-clothes, upon whose orderliness so much weight is, as a rule, laid, consist of a few tattered rags. The window-panes are seldom all whole, the holes being covered with paper or filled with rags. The children, half naked and dirty, go about unoccupied or lie in bed till noon without being ill. The wife, untroubled by all the disorder and uncleanliness which she sees around her, sits at the stove and cooks the mid-day meal for the family, which, whether abundant or not, always savours of the unappetising surroundings in which it is prepared. Such a picture will meet one, perhaps, in three houses successively on the same estate."

But poverty is at the bottom of this deplorable state of things.

"There is no denying," adds the Professor, "that, as a rule, the labourers will rather have a couple of bushels of corn more a year and put up with their defective housing than the reverse, and that they estimate the value of a house rather by whether it is warm, or can easily be made so, than whether it is healthy or spacious."

Where, as sometimes happens, several families are herded together in one house of this kind, the demands alike of convenience, health, and morality are outraged. No wonder that, as the same authority tells us, amongst the children of the

rural labourers of this class there is a very high rate of mortality, and that adults very often prematurely fall victims to consumption.

So, too, Pastor Quistorp, writing of Pomerania, says :—

"It is true that the rural labourer does not inhabit a damp cellar or a cold garret, but lives comfortably on the flat earth. Yet that is not the only requirement of a human habitation. Undoubtedly the Christian disposition of those landed proprietors who are earnestly concerned to provide their employees with healthy and roomy dwellings worthy of human beings should be acknowledged with gratitude, but the great majority of the homes of rural labourers may well be described in the words of their owners: 'They are good enough for the hands.' These dwellings are, as a rule, so low and small that where there is a fairly numerous family an intolerable atmosphere is caused, particularly at nights; the dusty earthen floor is in general so uneven that the labourer's children need special protecting angels in such homes; the walls are usually made of clay or of thin lath and plaster, so that the massive cattle stalls and barns of the landowner look much warmer and more comfortable than such abodes."[1]

A Berlin journal recently described the homes of East Prussian rural labourers in still more realistic fashion as follows:—

"The houses are small and dilapidated, and the walls falling in through age, being built in a very primitive manner of clay and wood. The owner hardly does anything at all in the way of repairs; the labourers themselves have to do all the necessary patching. No wonder, therefore, that the wind whistles unhindered through every niche and cranny,

[1] "Die soziale Not der ländlicher Arbeiter," Leipzig, 1891.

and that rain and snow sweep through the rent roof of straw. For each family there is but one small, narrow living room, with a bedroom and a little lumber room. The floor is of clay, uneven and full of holes; a floor of brick is regarded as a luxury. The rifts in the walls are stopped up with rags, pieces of turf, &c.; the windows have long been broken, and the holes are either covered with paper or are filled with rags, moss, or wisps of straw. The internal arrangements correspond—a couple of rickety chairs, a table, the indispensable 'settle,' and the clumsy bedsteads. The limited space is naturally insufficient to afford to the inmates sleeping accommodation suited either to rational or moral ideas, especially where there is a large family. Should there be a lodger, and he has to sleep on the floor, perhaps with hens for company, he must not be surprised if the rain trickles down upon his head or the snow drifts an inch thick upon his bed-cover. When the frugal meals are being eaten it is no rare thing for sand and pieces of earth to fall through the holes in the rude plank ceiling if the hens should be scratching above. It is by the provision of 'free dwellings' of this kind that the landowners manifest their much-vaunted solicitude for their labourers. In reality, the pigstyes of the agrarians east of the Elbe are far better fitted up than the miserable huts of the day labourers."

The landowners, against whom responsibility for this state of things is alleged, plead perpetual impoverishment, though they have now for a quarter of a century had the benefit of protective duties. There is, however, a great deal of truth in the words of a German critic of the agrarian movement, who says :—

"Instead of meeting foreign competition, helped as it is by the use of the most advanced technical

improvements, by the intelligent management of their estates, the Junkers fall back, with lamentation, upon the support of the State in the form of protective duties and export premiums; and instead of paying and treating their labourers decently, training them to greater productivity, and interesting them in their work, they do exactly the opposite, and build their expectations upon reactionary coercive measures which shall bring the labouring masses still further under their heel. A well-paid and energetic labouring class would at once put an end to the labour problem on the land, not simply because it would be able to work in general more efficiently than the present exhausted helots, but because it would facilitate the extended use of machinery, now comparatively little employed in agricultural operations. At present it is naturally difficult to procure good and capable labourers for this machinery, but the blame rests entirely with the large proprietors, and particularly with the Junkers, who have done everything they could to make it impossible for intelligent workmen to live on the land."

Unfortunately, the relationship between the landowner and his labourers is not in general a friendly one. As respect is lacking on one side, so is confidence on the other. "The feeling that because of their social position they are regarded and treated contemptuously by those from whom they earn their bread weighs like an alp upon the rural labouring population." So writes a Pomeranian pastor in a study of the agricultural labourer,[1] though the words apply equally to other parts of the country where the system of

[1] W. Quistorp, "Die soziale Not der ländlicher Arbeiter," Leipzig, 1891.

great estates prevails. At an election meeting held in East Prussia in 1903 by Prince Dohna, a scene was created when, at the end of the speeches, a Chief Forester got upon his feet and, ascending the tribune, proceeded in quiet but earnest language to say that while he had no sympathy whatever with Socialistic views, he was bound to say that, judging by his own experience, if Social Democracy was growing in that district as in others, the blame must be laid to the charge of the large landowners, whose treatment of their "people" (*Leute*) created sympathy for the teaching of that party.

"The Social Democrats," he proceeded, "are reproached with desiring to abolish religion, but what is the state of religion in most parts of the country? Scripture says 'Six days shalt thou labour, and on the seventh rest,' but can a farm labourer keep that commandment? What Social Democracy says about the standard of life of the rural population contains a certain amount of truth. One man comes to me and says, 'My landlord will lend me no horses on a week-day wherewith to work my field, and I have to do it on Sunday.' Another comes and says, 'I should have by right fuel free, but I get none.' Such a man comes to the foresters and asks if he may gather fallen wood in the forest, and when has that to be done? Again on Sunday, since the man with his family has to work all the week for his landlord. I fear," added this official, "that Social Democracy will make good use of abuses like these, and attain success in its agitation by means of them."

At the close of this unlooked-for addendum to a hitherto harmonious gathering, Prince Dohna

himself had to admit that in the treatment of labourers on the land there was "much that was improper"—a mild way of putting a truth whose bearing upon the political thought and aspirations of the rural classes of Germany, both peasants and labourers, is vital.

As an illustration of the social position of the rural labourer in North Germany, the following sample labour contract, as now enforced upon Mecklenburg estates, may be quoted:—

"The labourer must work faithfully, diligently, and obediently for his employer and his representatives, and must use his best endeavours to cause his wife, children, and dependents similarly to conduct themselves. He undertakes only to work for . . . and to come daily to work unless hindered by sickness, in return for which his employer binds himself to give him work all the year round.

"The labourer receives: (1) A house with necessary stallage, for which he is to pay a rent of £2 3s. Such small repairs to the house or stall as mending floors and walls, whitewashing, replacing window panes, and the like must be done by the labourer himself, material of stone, wood, clay, and lime being supplied to him free. The re-setting of stoves is done at the cost of the employer, but the labourer must keep them in order at his own cost. (2) A garden of about sixty square rods, so far as it goes with the house. (3) Potato and linseed land in the open field to the extent of eighty square rods. In the event of his absenting himself in summer, the labourer will only be granted the use of the garden, and no land for potatoes and linseed. (4) Pasturage and forage for one cow, and forty square yards of land for the cultivation of cattle turnips or potatoes, which land the labourer must work himself.

"Permission to keep one breeding goose, with pasturage on the fallow for the geese. The labourers must provide their own herdsmen, and each labourer must supply to his employer at Michaelmas a young fat goose of at least ten pounds weight.

"Two cartloads of fir-wood and 5,000 turves, or more wood equal to the same, by way of wages for fuel-cutting and preparing; loading and unloading to be done by the labourers free, but carting to be done at the cost of the employer.

"Brandy money for the harvest—3s. for the labourer and 1s. 6*d*. for his help.

"Free medical attendance and medicine for himself and his family in case of sickness, but entirely at the discretion of his employer.

"Daily wages for every day of actual work—where the work is not done by piece—as follows for himself and his help: From October 25th to March 1st, $2\frac{1}{2}d$. and 4 lb. of rye; from April 1st to June 30th, $7\frac{1}{2}d$. and 4 lb. of rye; from July 1st to August 31st, 10*d*. and 4 lb. of rye; from September 1st to October 24th, $7\frac{1}{2}d$. and 4 lb. of rye. The labourer's wife receives for washing, &c., 6*d*. a day, and for outdoor work—from October 24th to March 31st, 1*d*. per hour; from April 1st to May 31st, $1\frac{1}{4}d$. per hour; from June 1st to August 31st, $1\frac{1}{2}d$. per hour; from September 1st to October 24th, $1\frac{1}{2}d$. per hour. The time occupied in going to and from work is not to be reckoned. The wife must on demand do the milking, and she will receive $1\frac{1}{4}d$. each time.

"Threshing pay.—The corn is threshed as far as possible by machine, and as wages is given the seventeenth bushel in case of hand threshing, and the twenty-fifth in case of machine threshing. This pay is divided amongst all the labourers engaged in the work. . . . . In machine threshing the labourer, should he have no help, must cause his wife to work instead, or arrange for a substitute with the other workers, or receive proportionately less pay in corn. The calculation is for at least eight labourers.

"The labourer undertakes to supply for farm use sixteen besoms, receiving 6*d.* as pay, and to spin 6 lb. of tow, to set a brood hen, and to perform other small services as hitherto. The eggs for hatching are supplied by the estate; should more than three-fourths yield birds, the labourer receives 3*d.* for each in excess of that number, but if they yield fewer, he must pay 3*d.* for each one missing.

"The labourer may not, without previous sanction, take into his house for any period whatever any persons not employed on the estate on pain of a fine of 1s. per night per person.

"The hours of work are from 6 a.m. to 8 p.m., and on the short days of the year from daylight till dark. An hour and a half is allowed for dinner, though in busy seasons only an hour, or so much time as is necessary for eating; for breakfast and tea twenty minutes or half an hour, though no one may leave his place of work, still less go home, at these intervals without special permission."

CHAPTER XIV.

PROTECTION AND TAXATION.

THERE remains to be considered the strictly fiscal aspect of Protection, *i.e.*, the place of customs duties in the revenue of the Empire and the incidence of these duties upon the population. In treating the first of these questions I naturally leave untouched the whole subject of Imperial expenditure as one which belongs to the domain of domestic policy and has no direct bearing upon the general problem of Protection.

How far the financial intentions of the revision of economic policy undertaken in 1879 have been realised, may be explained in a few words. To this end it will be necessary to retrace our steps for a moment. Up to that year the Government had been secured a revenue from customs and excise, for the purposes of the Empire, of nearly £5,700,000 a year, and it was estimated that the new tariff would give a net additional return of £3,500,000, making in all £9,200,000. The calculation was arrived at in this way. The value of imported goods in 1877 was 3,877,000,000 marks, but goods to the value of 2,853,000,000 marks were free of duty. Bismarck estimated that under the new tariff half of these free imports would be taxed,

and assuming an average tax of 5 per cent. *ad valorem*, he counted on an additional revenue of 70,000,000 marks. But £9,250,000 was more than the Reichstag was willing to entrust the Chancellor with, and for a time the Tariff Bill seemed to have struck against an insuperable obstacle. Even the parties of Protection, ready though they were to keep the Empire in funds, insisted that these funds should allow of no extravagance and that the Imperial Diet should retain its old power over the purse. To this attitude was due the so-called Frankenstein Clause, which originated with the Ultramontanes, and was adopted July 15th, 1879, providing that the Empire was to retain only 130,000,000 marks (£6,500,000) of the revenue from the customs and excise duties, and to return the remainder to the individual States in proportion to their matricular contributions, in other words, according to population. In that way the reliance upon the old obnoxious system of "grants in aid" was formally perpetuated, and the Chancellor's cherished project of an independent, self-supporting Empire was once again frustrated. But beggars cannot be choosers, and Bismarck in asking for more elasticity in Imperial finance had asked for too much. He surrendered the point rather than imperil the Bill.

Up to the year 1893 the grants which the Empire was able to make to the States out of the customs revenue exceeded—and thus practically

nullified—the matricular contributions. During the ten years 1883-1893 the amount so distributed was £24,300,000. Then came a period of deficits. In 1893 the increase of the peace strength of the army threw the Empire in an increased degree upon State relief, and in the financial year 1893-1894 the matricular contributions exceeded the customs grants to the extent of £2,000,000. Hence new proposals of Imperial taxation were devised to restore the balance by providing the Empire with an additional £5,000,000 of revenue, and side by side with these a modification of the Frankenstein Clause, providing that out of the proceeds of Imperial taxation a minimum of £2,000,000 should be passed to the States after deduction of the sum of the matricular contributions in any one year. The project fell to the ground for the time being. In 1894 the proposal was altered to the effect that for the coming five years the Empire should bind itself not to require from the States more contributions than would be covered by the grants legally due to them in virtue of the Frankenstein Clause. This proposal likewise failed to secure the approval of the Reichstag, which objected that it would have made the Imperial taxation too easy and too automatic to be safe, and would virtually have allowed the Federal Council and the Chancellor to dispense with the formality of Parliamentary votes. Then for a time the greater buoyancy of the Imperial revenues seemed to make the question of

reform less urgent. In the fiscal year 1894-1895 the matricular contributions exceeded the grants in aid to the extent of £725,000, but in the two following years, on the other hand, the grants exceeded the contributions. In the year 1896-1897 the Empire was empowered by a special law to retain £9,000,000 instead of £6,500,000, owing to exceptional non-recurring expenditure on the army, navy, and the colonies, so that only £100,000 remained out of the taxes for the States when the matricular contributions had been deducted. In later years Imperial finance has gone from bad to worse, until now deficits are systematic. Moreover, these deficits would have been more frequent and more serious had not the Empire covered its needs by prodigal borrowing. The Empire only began to indulge in the luxury of being in debt in 1876; by 1888 its loans had reached £36,000,000; and they now exceed £155,000,000, while the debts of the federal States have also largely increased in the meantime, until the aggregate of Empire and States has reached £680,000,000. Nevertheless, passing in review the twenty-four years 1880 to 1904, the States fourteen times received back in grants more than they gave to the Empire in contributions, to an aggregate amount of £27,150,000, and paid in eleven years more than they received to the aggregate amount of £7,300,000, a balance in favour of the States of £19,850,000, against which must, of course, be

placed the disadvantage that they have made over to the Empire many sources of revenue which otherwise would have stood them in good stead.

The latest endeavour to reform Imperial finance is seen in the Finance Reform Bill now before the Reichstag. The Government propose to abandon altogether the Frankenstein compromise; they ask that in future the whole of the revenue from customs duties shall be ear-marked for Imperial purposes, and that the States shall share in the excise duties on spirit, which realise about £5,000,000, while under the obligation as hitherto to make good the Empire's yearly deficits by the old matricular contributions. It is further proposed that contingent surpluses shall not be regarded in any distribution of revenue to the States, but shall form a fund out of which to meet extraordinary expenditure for which provision may not be made in the yearly Budgets. The great objection to this arrangement from the constitutional standpoint is that it would make the Government less dependent than before upon Parliamentary control, inasmuch as taxes once legalised cannot be repealed save with the assent of the Federal Council and the Emperor, who would not easily be persuaded to relinquish any existing source of revenue except in exchange for a better.

While, thus, the fiscal aspect of the question is still beset with difficulties, it must be unhesitatingly conceded that so far as mere productiveness

goes the customs duties have altogether fulfilled the expectation based upon them: they have yielded a large and increasing revenue, and if that revenue has not proved sufficient the reason lies with the unforeseen expansion of the Empire's liabilities and the tendency of its spending departments to outrun their means, an experience which is not by any means peculiar to Germany. Hence the comment of a Free Trade critic, Dr. Schäffle, "The duties have been a complete fiscal success," must be unreservedly endorsed. In 1874 the revenue from customs and excise duties realised £12,324,400, but in 1893-1894 £31,045,990, an increase of £18,713,550; and in 1903-1904 £40,512,600, a further increase of £9,466,610, and more than threefold the revenue of thirty years before. That considerations of revenue influenced the Government in the latest revision of the tariff may be concluded from the fact that over £5,000,000 is expected to accrue to the Treasury as a result of the increased corn duties alone, 44·7 per cent. falling to wheat, 13 per cent. to rye, 8·8 to oats, 14·7 to barley, 14·7 to maize, 1·8 to lentils, and 7·4 to rape and rapeseed. No increase of revenue is anticipated from the industrial duties, the effect of which, it is expected, will be to restrict imports.

Here, however, the question is not exhausted. While the customs tariff has yielded an unexpectedly large and progressive revenue, there has been a dangerous shifting of the burden of

taxation more and more from articles of luxury and convenience to those of necessity and even of life. In 1878 the revenue of the principal food duties fell as follows :—

Coffee	31·20	per cent. of the whole.
Tropical fruits ...	4·10	,, ,,
Herrings	1·94	,, ,,

and those on other common articles of consumption were :—

Tobacco	17·96	per cent. of the whole.
Wine	8·09	,, ,,
Salt	4·96	,, ,,
Brandy	1·56	,, ,,

In the year 1890 the entire incidence of taxation was altered :—

Corn (which took the first place)...	28·98	per cent. of the whole.
Coffee	11·97	,, ,,
Petroleum ...	11·28	,, ,,
Tobacco	4·86	,, ,,
Wine	4·86	,, ,,
Lard	2·30	,, ,,
Cattle	1·85	,, ,,
Brandy	1·72	,, ,,

While in 1878 corn contributed nothing to the revenue, in 1884 10·94 per cent. of the total duties came from corn, which took the fourth place ; the percentage in 1885 was 12·63 (fourth place), and in 1888 20·24 (first place) ; to-day it still holds the first place with over 30 per cent.

The gross revenue from customs duties in 1902 was £26,969,310 against £26,680,300 in 1901,

£26,055,000 in 1900, £25,305,000 in 1899, £25,765,000 in 1898, and £23,745,000 in 1897. A comparison of the two years 1897 and 1902 gives the following results in values and percentages:—

Article Taxed.	1897.		1902.	
	Duty Yielded.	Percentage of Total.	Duty Yielded.	Percentage of Total.
	£		£	
Wheat	2,140,000	9·0	3,633,000	13·5
Rye	1,430,000	6·0	1,620,000	6·0
Barley	1,065,000	4·5	1,125,000	4·2
Maize	1,015,000	4·3	720,000	2·7
	£5,650,000	23·8	£7,098,000	26·4
Coffee (raw) ..	3,416,000	12·7	2,720,000	11·5
Meat (fresh and prepared) ..	435,000	1·6	420,000	1·8

So, too, petroleum for light yielded in 1902 a revenue of £2,935,000 or 10·9 per cent. of the whole, against £2,765,000 or 11·6 per cent. in 1897.

Taking the duties in groups, as classified in the official returns, the following was the estimated yield in 1902, with the percentage of the whole in each case:—

	£	Percentage.
Comestibles other than corn (groceries and tropical produce generally)	10,729,000 ...	39·78
Corn and other produce of the land	8,336,780 ...	30·91
Hops	20,148 ...	0·08

	£		Percentage.
Cattle	300,037	...	1·11
Animals and animal products not otherwise specified	156,809	...	0·58
Iron and iron goods ...	292,144	...	1·08
Earths, ores, precious metals, and asbestos ...	2,291	...	0·01
Instruments, machines, and vehicles	100,369	...	0·37
Copper and other base metals not otherwise named, and goods of the same	31,273	...	0·12
Zinc and zinc alloys, and goods of the same ...	1,017	...	0·01
Tin, and goods of the same	1,295	...	0·01
Lead, and goods of the same	479	...	0·00
Hardware (ironmongery)	99,218	...	0·37
Petroleum and other mineral oils (light and lubrication)	3,571,300	...	13·24
Oils and other kinds of fat	916,364	...	3·49
Timber and wood ware ...	950,229	...	3·52
Cotton and cotton goods	424,558	...	1·57
Wool and woollen goods	234,145	...	0·87
Silk and silk goods ...	210,999	...	0·78
Linen yarn and linen goods	78,808	...	0·29
Clothing and personal linen	78,601	...	0·29
Leather and leather goods	109,016	...	0·40
Furriery	4,820	...	0·02
Glass and glass goods ...	62,585	...	0·23
Earthenware	31,513	...	0·12
Stones and stone ware ...	21,682	...	0·08
Paper and paper goods ...	51,268	...	0·19

	£	Percentage.
Caoutchouc and gutta-percha, and goods of the same	42,043 ...	0·15
Drugs, apothecary's, and dye stuffs	38,970 ...	0·15
Soap and perfumery ...	21,725 ...	0·08
Straw and wicker work...	31,518 ...	0·12
Horse and human hair, and goods of same, feathers, and bristles...	7,705 ...	0·03
Wax-cloth, muslin, and silk	6,096 ...	0·02
Brushes, &c.	3,010 ...	0·01
Candles	1,731 ...	0·01
Playing cards	84 ...	0·00

How the pressure of taxation has changed since Protection was introduced may further be shown by a table giving the relative percentage of total revenue raised at different times upon some of the commonest articles of use :—

1878. Per cent. of the whole.		1890. Per cent. of the whole.		1902. Per cent. of the whole.	
Coffee ..	31·20	Corn ..	28·98	Corn ..	30·91
Tobacco ..	17·06	Coffee ..	11·97	Coffee ...	12·7
Wine ..	8·09	Petroleum	11·28	Petroleum	10·9
Tropical Fruits ..	4·10	Tobacco..	10·84	Tobacco..	9·7
Salt ..	4·06	Wine ..	4·86	Wine ..	2·5
Woollen Goods ..	3·44	Timber ..	3·95	Timber ..	3·0
Cotton Goods ..	2·25	Lard ..	2·30	Lard ..	2·0
Herrings ..	1·94	Iron ..	2·07	Meat ..	1·6
Roots ..	1·84	Cattle ..	1·85	Brandy ..	1·0
Brandy ..	1·56	Brandy ..	1·72		
	75·54 per cent.		80·82 per cent.		74·31 per cent.

Figures like these, without reducing them to further detail, give a plain indication of the incidence of taxation in Germany; it falls overwhelmingly not upon luxuries, as with the more truly revenue system of duties in vogue in England, but on the first needs and utilities of life. This appears still more clearly when we inquire what these taxes on food and convenience mean in the concrete. Naturally the corn tax suggests itself first. Estimates vary as to the sacrifice which this tax entails on the community. Under the old duties, as reduced for treaty purposes, the Treasury raised by taxation of all kinds of grain eight and a third million pounds in 1902, but this was only a part of the tribute which the duties entailed. Assuming that the price of corn was not increased beyond the amount of the duty, it has been estimated that the total sacrifice imposed on the community would not fall far short of £40,000,000, or 14*s.* 3*d.* per head of the population. Some German writers have even placed the entire tribute levied in the interests of agriculture as high as £50,000,000 a year, and Professor Lotz estimates that the minimum duties of the new tariff will entail a further yearly impost in the one item of corn alone of £15,750,000. Yet the proportion of this large tribute which finds its way into the Treasury is very small.

That corn is actually made dearer by taxation is proved by comparison with free markets. Thus

the price of wheat in Berlin from 1886 to 1890 was 31*s.* 7*d.* per ton higher than in London; from 1891 to 1895 it was 46*s.* higher, and from 1895 to 1899 it was 34*s.* 6*d.* higher, and the duties during these three periods were 30*s.* increasing to 50*s.*, 50*s.* falling to 35*s.*, and 35*s.* The steadiness of the increase in the cost of agricultural foodstuffs generally which set in after the second revision of the tariff is shown by the following comparison of average prices in twenty-three Prussian markets:—

Per Ton.

	1892.	1891.	1890.	1889.	1888.
	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*
Wheat ..	9 8 0	11 1 0	9 11 0	9 2 0	8 14 0
Rye ..	8 16 0	10 7 0	8 8 0	7 15 0	6 14 0
Barley ..	7 15 0	8 7 0	8 2 0	7 10 0	6 14 0
Potatoes ..	3 4 0	3 13 0	2 9 0	2 12 0	2 10 0

Per Kilogramme.

	Marks.	Marks.	Marks.	Marks.	Marks.
Beef ..	1·28	1·28	1·27	1·18	1·14
Mutton ..	1·24	1·28	1·26	1·17	1·13
Veal ..	1·25	1·27	1·24	1·15	1·07
Pork ..	1·35	1·32	1·42	1·31	1·17
Butter ..	2·30	2·24	2·23	2·26	2·12
Lard ..	1·64	1·65	1·74	1·61	1·50

Since then the price of corn has fallen considerably, but there has been a continuous increase

in other articles of food during the past decade, as witness:—

	Per Kilogramme.		Per Kilogramme.	Per lb.
	1892.	1902.	Increase.	
	Marks.	Marks.	Marks.	
Beef	1·23	1·80	0·57	$3\frac{1}{4}d.$
Veal	1·16	1·80	0·64	$3\frac{5}{8}d.$
Mutton	1·27	1·80	0·53	$3d.$
Pork	1·22	1·60	0·38	$2d.$

Here we have the obvious explanation of the fact attested by the Board of Trade, who in the fiscal Blue Book show that the cost of living "has fallen very much less" in Germany during the twenty-five years 1877 to 1901 than in this country. Taking 1901 as the test and 100 as the index-number, the movement of prices of food has been as follows:—

	United Kingdom.	Germany.
1877	143	115
1878	134	110
1879	128	110
1880	136	114
1881	133	111
1882	133	109
1883	133	107
1884	122	98
1885	111	98
1886	105	95
1887	100	95
1888	100	96

	United Kingdom.	Germany.
1889	104	104
1890	102	105
1891	104	116
1892	104	112
1893	98	97
1894	95	95
1895	91	96
1896	87	95
1897	94	101
1898	100	103
1899	93	98
1900	96	98
1901	100	100

Thus up to 1900 there was a fall of 49 points in the United Kingdom against one of 17 points in Germany. The Board of Trade investigators come to the conclusion that during the quinquennium 1897—1901 "a German workman has been able to purchase as much food of the kind to which he is accustomed for 100 marks as he could get previously for 112 marks, while the English workman has been able to make 100 shillings go as far in purchasing food as 140 shillings would have gone twenty years before."

What the corn tax pure and simple means to the working classes will be better understood when it is remembered how large a part bread plays in the economy of the German household. Professor Walther Lotz estimates that 16 per cent. of the workman's income is spent in bread alone, though in many places the percentage is

larger; thus the average in Halle is 20 per cent., and amongst the weavers of Zittau it is from 25 to 30 per cent., though amongst the better-paid artisans of Nuremberg it has been found to be but 9·2 per cent. Taking, however, a consumption of 16 per cent. as fair for the working classes generally, and further assuming even wages of 18*s.* per household, it follows that 2*s.* 10*d.* per week is expended a head, and of this 2*s.* 10*d.* 7*d.* is tax paid to the State.

In addition there are the duties upon other foodstuffs and indispensable domestic requisites. How such duties work out, on the basis of the last available complete return of revenue, is shown by the following figures:—

Article taxed.	Yearly tax per head of the population.	Yearly tax per household of five persons.
	s. *d.*	*s.* *d.*
Wheat and rye	1 10½	... 9 4½
Coffee	1 2½	... 6 0½
Petroleum	1 0½	... 5 2½

It is estimated that the duty now paid on every shilling's purchase is as follows:—On lard 2⅞*d.*, on butter and margarine 1¼*d.*, on baked goods 4½*d.*, on coffee and surrogates 5⅝*d.*, on cocoa and chocolate 3¾*d.*, on cooking oil 2*d.*, on eggs ⅜*d.*, on cheese 1¾*d.*, on lard 1½*d.*, on rice 2¾*d.*, on tea 7½*d.*, on salted herrings 1¼*d.* To put the matter otherwise, taking customs duties and excise taxes together, the taxation which at present

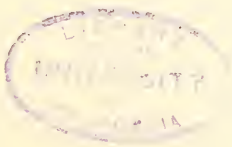
falls upon commodities of commonest use is as follows :—

	Per pound.
Bread	$\frac{1}{4}d.$
Meat	$1d.$
Lard	$\frac{5}{8}d.$
Bacon	$1\frac{1}{4}d.$
Salt	$\frac{3}{4}d.$
Sugar	$1\frac{1}{4}d.$
Rice	$\frac{1}{4}d.$

The population of the Empire has grown far beyond expectations since 1871, but its taxation has progressed at an even greater rate. In that year the customs duties cost every inhabitant (man, woman, and child) 2*s.* 10*d.* per annum, and in 1878 the rate had fallen to 2*s.* $7\frac{1}{2}d.$; in 1888 it had reached 6*s.* 6*d.*, in 1891 8*s.* $1\frac{1}{2}d.$, and last year it was 9*s.* 8*d.* per head. The similar tax in England was 12*s.* 8*d.* Taking customs and excise together, the advantage is apparently still further on Germany's side, and arguing from these bald figures, a German economist of the leading rank, Professor Adolf Wagner, has seriously contended that the German taxpayer, with his yearly tribute of 15*s.* 3*d.* in customs and excise duties, is better off than the Englishman with his £1 5*s.* 1*d.* and still more than the Frenchman with his £1 12*s.* 9*d.*[1] It would be just as reasonable to contend that the man who on an income of £500 pays income tax of £20 is better off than the man who pays £50

[1] I give the figures as published, unable to analyse their composition.

upon an income of £1,000. Obviously the height of taxation must be estimated relatively to the sum of the national and individual income. Not only so, but an equally important question, in comparing the incidence of taxation, is the character of the taxes paid—whether on the necessities or on the superfluities of consumption. With the facts which have been given on both these points before him, the reader will be able to form his own conclusions. To carry the inquiry further into the domain of direct taxation would hardly be pertinent to our purpose, though there is room for reflection in the fact that while in England there is exemption from income tax below an income of £150 the exemption stops at £45 in Prussia, and at £20 in Saxony, with the result that a large section of domestic servants are regularly assessed to this tax twice over—once by the State and again by the municipality, whose "class tax" is based on the income tax, since in estimating their income the equivalent of board and lodging is taken into consideration. Thus a servant with money wages of £20 or upwards may pay from 12s. to 20s. a year in State and municipal taxes, according to locality.



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